PATENT OFFICE FEES

HEARINGS

BEFORE THE

SUBCOMMITTEE ON
PATENTS, TRADEMARKS, AND COPYRIGHTS

OF THE

COMMITTEE ON THE JUDICIARY
UNITED STATES SENATE

EIGHTY-EIGHTH CONGRESS

SECOND SESSION

PURSUANT TO S. RES. 270

ON

S. 2547 and H.R. 8190

FEBRUARY 27 and 28, 1964

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PATENT OFFICE

THURSDAY, FEBRUARY 27, 1964

U.S. SENATE,
SUBCOMMITTEE ON PATENTS, TRADEMARKS, AND COPYRIGHTS
OF THE COMMITTEE ON THE JUDICIARY,
Washington, D.C.

The subcommittee met, pursuant to notice, at 10:30 a.m., in room 3302, New Senate Office Building, Senator John L. McClellan presiding.

Present: Senators McClellan and Burdick.

Also present: Clarence M. Dinkins, chief counsel, Thomas C. Brennan, assistant counsel, and Stephen G. Haaser, chief clerk, Subcommittee on Patents, Trademarks, and Copyrights.

Senator MCCLELLAN. Come to order, please.

The Chair wishes to make a brief statement.

This public hearing by the Subcommittee on Patents, Trademarks, and Copyrights has been called for the consideration of the Patent Office fee bill, H.R. 8190, which was passed by the House of Representatives on January 22, 1964. For the information of those present it should be said that previous hearings were held before this subcommittee on another Patent Office fee bill, S. 2225, on September 4, 1962. I may state here for the record that I am going to direct, with the approval of the committee, that those hearings be made a part of this record for reference, so that they can be referred to, and any testimony in there that would be pertinent to the pending bill might be regarded as a part of this record.

(The material referred to is made part of the record by reference and is available in the committee files.)

Senator MCCLELLAN. This bill, as reported favorably by the subcommittee and by the Senate Judiciary Committee, was almost identical to the present bill—H.R. 8190. At that time the testimony of witnesses representing Government, industry, and the public was heard and many statements of views were submitted for the record. Printed copies of these hearings are still available.

While it will be the purpose of the Chair to give all interested parties an opportunity to be heard, it is expected that most of the testimony can be given in summary form together with the filing of a prepared statement for the record. This procedure will permit us to hear a greater number of witnesses and thus enable us to expedite the hearings.

I mean by that, if you are going to testify, if you have a prepared statement, submit your prepared statement, let it be printed in full in the record, and then highlight it, emphasizing that part of your statement you feel has the pertinent points you want to establish.

The historical background of the Patent Office reveals that it was originally almost entirely self-supporting from the various fees received. Patent Office fees have not been increased since 1932 and the self-supporting position of the Patent Office has been continuously reduced until it has now reached a figure of apparently 30 percent. It has been estimated that with the passage of H.R. 8190, and the expiration of 13 years, when revenue from the maintenance fees become fully effective, the revenue of the Patent Office would amount to about 75 percent of its cost of operation.

Several fundamental questions are involved in the pending bill, the principal ones being whether or not the Patent Office should be self-supporting and whether this support should come primarily from the chief beneficiaries of Patent Office services; namely, those who own and commercialize patents.

Another major question involved is whether the proposed increase in fees, including maintenance fees, will have any substantial impact upon research incentive and the general functions of the patent system.

Subsequent to the public announcement of this hearing, Senator Thomas J. Dodd, Democrat, of Connecticut, on February 25 introduced S. 2547, a bill to revise Patent Office fees in a manner quite different from the provisions of H.R. 8190. This bill, S. 2547, has just been referred to this subcommittee.

I understand that it is endorsed by the Connecticut Patent Law Association and in order to permit all those present to become acquainted with its provisions, I have scheduled the representative of the Connecticut Patent Law Association as the first witness following the proponents of H.R. 8190. Other witnesses may direct their comments to Senator Dodd's bill or, if they prefer, they may submit supplementary statements for the record.

In other words, since there are the two bills pending, all testimony shall be regarded as constituting a hearing on either or both bills and thus we shall cover the whole subject and weigh it in light of the different proposals that are before us or may come before us for action on bringing our patent laws and fee system up to date.

Senator Burdick, would you care to make a statement?

Senator BURDICK. No. I think you have adequately covered the matter before us in your opening statement.

Senator McCLELLAN. Counsel, do you have a matter or two?

Mr. DINKINS. Yes. I would like to offer the following matters for the record.

Senator McCLELLAN. First, let the bill H.R. 8190 be printed in the record at this point in full. Immediately following that, let there be printed in the record the bill introduced by Senator Dodd yesterday, S. 2547. Let both bills be printed in the record.

Mr. DINKINS. In addition, I offer the notice of this hearing which appeared in the Congressional Record on February 17 and a letter from the Secretary of Commerce to the President of the Senate, dated June 14, 1963.

Senator McCLELLAN. Let those two items appear in the record ahead of the two bills. Let the bills follow these items.

(The notice and letter referred to follow:)

THE SECRETARY OF COMMERCE,
Washington, D.C., June 14, 1963.

Hon. LYNDON B. JOHNSON,
President of the Senate,
Washington, D.C.

DEAR MR. PRESIDENT: In accordance with the President's budget message, I am enclosing four copies of a draft of legislation to fix the fees payable to the Patent Office and for other purposes, together with a summary statement of purpose and need for the proposed legislation and a section-by-section analysis.

This legislation implements the policy set forth in the budget message of charging appropriate fees for special benefits or privileges provided to users and beneficiaries. We are convinced that the substantial benefits derived by inventors from the operation of the patent system clearly justify the changes proposed.

We are advised by the Bureau of the Budget that submission of this proposed legislation to the Congress would be consistent with the administration's objectives.

I urge prompt enactment of the enclosed bill in the interest of sound administration of the patent system.

Sincerely yours,

LUTHER H. HODGES,
Secretary of Commerce.

SUMMARY STATEMENT OF PURPOSE OF AND NEED FOR PROPOSED LEGISLATION TO FIX THE FEES PAYABLE TO THE PATENT OFFICE AND FOR OTHER PURPOSES

The submitted draft fee legislation is substantially the same as the amended version of S. 2225 (87th Cong.) which the Committee on the Judiciary of the Senate approved on September 27, 1962.

S. 2225 (H.R. 7731) was submitted to the Congress by the Department of Commerce on June 13, 1961, and a revision thereof transmitted by letter dated March 22, 1962. This revision was introduced in the House of Representatives as H.R. 10966; it was not introduced in the Senate. H.R. 10966 was reported by the Committee on the Judiciary of the House of Representatives on June 20, 1962, and a slightly revised version thereof was reported by the Judiciary Committee of the Senate as an amended S. 2225 on September 27, 1962.

As was indicated at the time H.R. 10966 was transmitted to the Congress, the last major change in patent fees occurred in 1932 when the filing and final fees were raised to $30 each. Immediately after the 1932 revision of fees the Patent Office was collecting in fees a sum exceeding 90 percent of the cost of operating the Patent Office.

Since that time the costs of operating the Patent Office have risen considerably because salary rates have increased and the processing of documents has grown in complexity. No major increase of fees has been made however to effect a comparable recovery of costs. In each of the 5 years, 1958–62, the Patent Office recovered in fees approximately one-third of its cost of operation. For fiscal year 1963, the estimated receipts on the basis of current fees amount to approximately 32 percent of the 1963 budget.

The fees presented in the proposed bill have been fixed so that if they were in full operation, the cost recovery would be about three-quarters of budgeted expenditures. However, it should be noted that certain of the new fees proposed, namely, the maintenance fees—payable after a patent has issued—and the trademark affidavit fee—payable after the registration has issued—would not be effective immediately to bring in receipts since they apply only to patents and trademark registrations issued after the enactment date of the proposed legislation. The same deferment was present in H.R. 10966 which was submitted to the 87th Congress; however, for the first 5 years of operation, this draft legislation will effect a recovery of approximately 63.6 percent as compared to 54.8 percent under H.R. 10966.

This draft legislation is designed to achieve greater cost recovery for patent and trademark activities by establishing application and issuance fees on a basis which more nearly reflects the cost of examining the specific applications and issuing the particular patents. In the past, patent fees have distinguished, only incidentally, if at all, between short and clear disclosures, and long and obscure ones. This draft legislation proposes to encourage clarity, brevity, and improved form by fee differentials based on the kinds and number of claims, and number of pages of specification and drawings in the patents as issued.

Over and above the institution of new fees of the maintenance type and those designed to encourage succinct disclosures and limit the number of claims submitted, miscellaneous fees have been revised upward to reflect more realistically the current level of operating costs.

SECTION-BY-SECTION ANALYSIS AND EXPLANATION OF LEGISLATION

To fix the fees payable to the Patent Office, and for other purposes.

Section 1

Section 1 of this bill makes various changes in the existing fees payable to the Patent Office in patent cases.

The first change in this section is to raise the fee payable on applying for a patent from $30 to $50, with the further payment of a charge of $2, instead of $1, for each claim presented in excess of 10, rather than 20 (item 1 of sec. 1) and a new fee of $10 for each independent claim presented at any time in excess of 1. This application filing fee is the most important fee payable in the Patent Office and accounts for 32 percent of the receipts of the Patent Office. The different treatment accorded independent claims as compared to the total number of claims is to encourage applicants to use the dependent form of claim which, because it is easier to examine, will reduce examination time.

The second change in fees in this section is the raising of the fee payable for issue of a patent from $30 to $75, and the addition of a charge of $10 for each page of specification as printed and $2 for each sheet of drawing (item 2 of sec. 1). The issue fee, which is the second most important of the Patent Office fees and accounts for 19 percent of the receipts of the Patent Office, is also extended to cover reissue patents. This new type of issue fee is designed to improve the relationship between the size of a patent and the cost of examining and issuing it.

The fees payable in design patent cases are changed from $10, $15, and $30, for design patents of terms of 3½, 7, and 14 years, respectively, to a filing fee of $20, and issue fees of $10, $20, and $30 for terms of 3½, 7, and 14 years, respectively (item 3 of sec. 1). The design patent fees account for less than 2 percent of Patent Office receipts and the increases here are of about the same order proportionately as the increases in the other patent application fees. The form of the fees has been changed to parallel the filing and issue fees for other types of patent applications.

The fee for filing for a reissue is changed to parallel the fee charged for original applications (item 4 of sec. 1).

The fee on appeal to the Board of Appeals is increased from $25 to $50 if the Board considers the appeal and an additional charge of $50 exacted for an oral hearing if required (item 6 of sec. 1). This appeal fee accounts for less than 4 percent of Patent Office receipts.

The fee for filing a disclaimer (item 5 of sec. 1) or for petitioning to revive an abandoned application or for the delayed payment of an issue fee is increased from $10 to $15 (item 7 of sec. 1).

The fee for recording each assignment of an application, patent, or legal paper is increased to $20, instead of $3 with $1 for each two pages over six and 50 cents for each additional item in one writing (item 10 of sec. 1).

A few adjustments in other fees are also made by this section.

Patent fees of a new type and a new concept of paying the issue fee are provided in sections 4, 6, and 8.

Section 2

Section 2 of the bill provides that Government departments and agencies shall pay the same fees as are paid in the Patent Office by others, except as otherwise provided.

Section 3

Section 3 of the bill makes various changes in fees payable in the Patent Office in trademark cases. This section is in the form of a complete rewriting of section 31 of the Trademark Act providing for fees. The items have been tabulated and numbered for convenience of reference and a few minor fees have been omitted from the act to be included in the group of fees fixed administratively by the Commissioner.

Three major changes in trademark fees are made. First, the fee on filing an application to register a mark is raised from $25 to $35 (item 1 of sec. 3).

Second, a fee of $10 is made payable at the time that an affidavit to maintain the registration in force must be filed (item 3 of sec. 3). This fee is made applicable only in the case of registrations issued after the effective date of the legislation if enacted (sec. 9(d)). Third, the fee for recording an assignment of a trademark registration or any other paper is increased to $20 (item 12 of sec. 3).

A few adjustments in other fees have also been made. For the first time, a fee is made payable on the filing of a petition to revive an abandoned trademark application (item 4 of sec. 3). Also, the fee ($10) for the filing by a registrant of an application to cancel or surrender registration issued to it has been dropped. The additional revenue which would be received in trademark cases under this revised schedule of fees would make the function of examining and issuing trademark registrations and related activities of the Patent Office, considered separately, substantially self-supporting.

Section 4

This section provides for a different concept of paying the issue fee (provided for in item 2 of sec. 1) and is designed, in part, to simplify the issue problems in the Patent Office, thereby permitting earlier dissemination of disclosures of applications found to contain inventive subject matter.

The issue fee is to be paid after the patent issues, but in some cases the Commissioner may require a deposit to be charged against the fee before the patent issues.

Sections 5, 6, 7, and 8

Sections 5 to 8 introduce a maintenance fee in patent cases. After a patent is issued, the patentee is required to pay a fee of $50 at the expiration of the 5th year, a second fee of $100 at the expiration of the 9th year, and a third fee of $150 at the expiration of the 13th year, from the date of the patent. These fees are required to maintain the patent in force, and failure to pay them results in a lapse of the patent rights. A period of grace of 6 months is provided, a deferment provision allows an inventor who still owns the patent to defer payment if he has not made any money from the patent and a notice requirement is added which is a condition precedent to lapse of the patent.

Section 9

By this section, the issue fee, as provided for in item 2 of section 1 of this act, is made applicable only to applications which have not had a notice of allowance mailed prior to the effective date of this act if enacted, and the maintenance fees, as provided for in sections 5 through 8 of this act, are made applicable only to patents issued after the effective date of this act.

Section 10

Section 10 repeals section 266 of title 35, United States Code, relating to fees in certain Government cases, in view of the provisions of section 2 of the bill.

Section 11

Section 11 expressly recognizes the dependent form of claim and is designed to make it clear to examiners, applicants, litigants, and judges that dependent claims are to be considered individually on their merits. The validity or interpretation does not depend on the validity or interpretation of the claim from which they depend.

[From the Congressional Record, Senate, Feb. 17, 1964]

NOTICE OF PUBLIC HEARING ON H.R. 8190

Mr. MCCLELLAN. Mr. President, as chairman of the standing Subcommittee on Patents, Trademarks and Copyrights of the Committee on the Judiciary, I wish to announce that the subcommittee has scheduled a public hearing on H.R. 8190, a bill to fix the fees payable to the Patent Office. The hearing will commence on Thursday, February 27, 1964, at 10 a.m., in room 3302, New Senate Office Building.

Anyone wishing to testify or file a statement for the record should communicate immediately with the Office of the Subcommittee, room 349A, Senate Office Building, Washington 25, D.C., telephone Capitol 4-3121 or Government code 180, extension 2268.

The subcommittee consists of the Senator from South Carolina, Mr. Johnston; the Senator from Michigan, Mr. Hart; the Senator from North Dakota, Mr. Burdick; the Senator from Pennsylvania, Mr. Scott; the Senator from Hawaii, Mr. Fong, and myself.

(Bills H.R. 8190 and S. 2547 referred to follow:)

[H.R. 8190, 88th Cong., 1st sess.]

AN ACT To fix the fees payable to the Patent Office, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the items numbered 1, 2, 3, 4, 5, 6, 7, 8, 9, and 10, respectively, in subsection (a) of section 41, title 35, United States Code, are amended to read as follows:

"1. On filing each application for an original patent, except in design cases, $50; in addition, on filing or on presentation at any other time, $10 for each claim in independent form which is in excess of one, and $2 for each claim (whether independent or dependent) which is in excess of ten. Errors in payment of the additional fees may be rectified in accordance with regulations of the Commissioner.

"2. For issuing each original or reissue patent, except in design cases, $75; in addition, $10 for each page (or portion thereof) of specification as printed, and $2 for each sheet of drawing.

"3. In design cases:

"a. On filing each design application, $20.

"b. On issuing each design patent: For three years and six months, $10; for seven years, $20; and for fourteen years, $30.

"4. On filing each application for the reissue of a patent, $50; in addition, on filing or on presentation at any other time, $10 for each claim in independent form which is in excess of the number of independent claims of the original patent, and $2 for each claim (whether independent or dependent) which is in excess of ten and also in excess of the number of claims of the original patent. Errors in payment of the additional fees may be rectified in accordance with regulations of the Commissioner.

"5. On filing each disclaimer, $15.

"6. On an appeal for the first time from the examiner to the Board of Appeals, $100. If an oral hearing is not requested prior to any consideration by the Board, $50 of the $100 fee will be refunded; or, alternatively, if the appeal is withdrawn prior to any consideration by the Board, all of the fee over $25 will be refunded.

"7. On filing each petition for the revival of an abandoned application for a patent or for the delayed payment of the fee for issuing each patent, $15.

"8. For certificate under section 255 or under section 256 of this title, $15.

"9. As available and if in print: For uncertified printed copies of specifications and drawings of patents (except design patents), 25 cents per copy; for design patents, 10 cents per copy; the Commissioner may establish a charge not to exceed $1 per copy for patents in excess of twenty-five pages of drawings and specifications and for plant patents printed in color; special rates for libraries specified in section 13 of this title, $50 for patents issued in one year.

"10. For recording each assignment of an application or a patent, $20; for recording any other paper, $20."

SEC. 2. Section 41 of title 35, United States Code is further amended by adding the following subsection:

"(c) The fees prescribed by or under this section shall apply to any other Government department or agency, or officer thereof, except that the Commissioner may waive the payment of any fee for services or materials in cases of occasional or incidental requests by a Government department or agency, or officer thereof."

SEC. 3. Section 31 of the Act approved July 5, 1946 (ch. 540, 60 Stat. 427; U.S.C., title 15, sec. 1113), as amended, is amended to read as follows:

"(a) The following fees shall be paid to the Patent Office under this Act:

"1. On filing each original application for registration of a mark in each class, $35.

"2. On filing each application for renewal in each class, $25; and on filing each application for renewal in each class after expiration of the registration. an additional fee of $5.

"3. On filing an affidavit under section 8(a) or section 8(b), $10.

"4. On filing each petition for the revival of an abandoned application, $15.

"5. On filing notice of opposition or application for cancellation, $25.

"6. On appeal from an examiner in charge of the registration of marks to the Trademark Trial and Appeal Board, $25.

"7. For issuance of a new certificate of registration following change of ownership of a mark or correction of a registrant's mistake, $15.

"8. For certificate of correction of registrant's mistake or amendment after registration, $15.

"9. For certifying in any case, $1.

"10. For filing each disclaimer after registration, $15.

"11. For printed copy of registered mark, 10 cents.

"12. For recording each assignment of a registration, $20; for recording any other paper, $20.

"13. On filing notice of claim of benefits of this Act for a mark to be published under section 12(c) hereof, $10.

"(b) The Commissioner may establish charges for copies of records, publications, or services furnished by the Patent Office, not specified above.

"(c) The Commissioner may refund any sum paid by mistake or in excess."

SEC. 4. Section 151 of title 35, United States Code, is amended to read as follows:

"§ 151. Issue of patent

"If it appears that applicant is entitled to a patent under the law, a written notice of allowance of the application shall be given or mailed to the applicant. The notice shall specify a sum, constituting the issue fee or a portion thereof, which shall be paid within three months thereafter.

"Upon payment of this sum the patent shall issue, but if payment is not timely made, the application shall be regarded as abandoned.

"Any remaining balance of the issue fee shall be paid within three months from the sending of a notice thereof and if not paid, the patent shall lapse at the termination of this three-month period.

"If any payment required by this section is not timely made, but is submitted with the fee for delayed payment within three months after the due date and sufficient cause is shown for the late payment, it may be accepted by the Commissioner as though no abandonment or lapse had ever occurred."

SEC. 5. Section 154 of title 35, United States Code, is amended by inserting the words "subject to the payment of issue and maintenance fees as provided for in this title," after the words "seventeen years,".

SEC. 6. Title 35, United States Code, is amended by adding the following new section after section 154:

"§ 155. Maintenance fees

"(a) During the term of a patent, other than for a design, the following fees shall be due:

"(1) a first maintenance fee on or before the fifth anniversary of the issue date of the patent;

"(2) a second maintenance fee on or before the ninth anniversary of the issue date of the patent; and

"(3) a third maintenance fee on or before the thirteenth anniversary of the issue date of the patent.

In the case of a reissue patent the times specified herein shall run from the date of the original patent.

"(b) A grace period of six months will be allowed in which to pay any maintenance fee, provided it is accompanied by the fee prescribed for delayed payment.

"(c) The first and second maintenance fees may be deferred in accordance with subsection (f) of this section.

"(d) A patent will terminate on the due date for any maintenance fee unless, as provided for in this section, the fee due (including any fees previously deferred) is paid or a statement in accordance with subsection (f) of this section requesting deferment is filed. Such termination or lapsing shall be without prejudice to rights existing under any other patent.

"(e) Notice of the requirement for the payment of the maintenance fees and the filing of statements in compliance with this section shall be attached to or be embodied in the patent. Approximately thirty days before a maintenance fee is due, the Commissioner shall send a separate notice thereof to the patentee and all other parties having an interest of record at the addresses last furnished to the Patent Office. Irrespective of any other provision of this section, a

maintenance fee may be paid within thirty days after the date of such separate notice.

"(f) Any inventor to whom a patent issued (or his heirs) and who owns the patent may within six months of the fifth anniversary of the issue date of the patent (by a statement under oath) request deferment of the first maintenance fee if the total benefit received by the inventor or any other party having or having had any interest in the subject matter of the patent, from, under, or by virtue of the patent or from the manufacture, use, or sale of the invention, was less in value than the amount of the fee, and the statement so specifies. The fee shall thereupon be deferred until the time the second maintenance fee is due and shall be paid in addition to the second maintenance fee.

"Any inventor to whom a patent issued (or his heirs) and who owns the patent may within six months of the ninth anniversary of the issue date of the patent (by a statement under oath) request deferment of the second maintenance fee (and further deferment of the first maintenance fee if such fee has been deferred) if the total benefit received by the inventor or any other party having or having had any interest in the subject matter of the patent during the preceding four years, from, under, or by virtue of the patent or from the manufacture, use, or sale of the invention, was less in value than the amount of the second fee, and the statement so specifies. The second fee, or the first and second fees, as the case may be, shall thereupon be deferred until the time the third maintenance fee is due and shall be paid in addition to the third maintenance fee and with the same result if not paid. No deferment of any of the fees beyond the thirteenth anniversary of the issue date of the patent shall be permitted and the patent will terminate at the end of the thirteenth anniversary of the issue date unless all maintenance fees are paid in accordance with the provisions of this section."

SEC. 7. The analysis of chapter 14 of title 35, United States Code, immediately preceding section 151, is amended to read as follows:

"Sec.
"151. Issue of patent.
"152. Issue of patent to assignee.
"153. How issued.
"154. Contents and term of patent.
"155. Maintenance fees."

SEC. 8. Subsection (a) of section 41 of title 35, United States Code, is further amended by adding the following:

"12. maintaining a patent (other than for a design) in force:

"a. beyond the fifth anniversary of the issue date of the patent, $50;

"b. beyond the ninth anniversary of the issue date of the patent, $100; and

"c. beyond the thirteenth anniversary of the issue date of the patent, $150.

"13. For delayed payment of maintenance fee, $25."

SEC. 9. (a) This Act shall take effect three months after its enactment.

(b) Items 1, 3, and 4 of section 41(a) of title 35, United States Code, as amended by section 1 of this Act, do not apply in further proceedings in applications filed prior to the effective date of this Act.

(c) Item 2 of section 41(a), as amended by section 1 of this Act, and sections 4, 6, and 8 of this Act do not apply in cases in which the notice of allowance of the application was sent, or in which a patent issued, prior to the effective date; and, in such cases, the fee due is the fee specified in this title prior to the effective date of this Act.

(d) Item 3 of section 31 of the Trademark Act, as amended by section 3 of this Act, applies only in the case of registrations issued and registrations published under the provisions of section 12(c) of the Trademark Act on or after the effective date of this Act.

SEC. 10. Section 266 of title 35, United States Code, is repealed.

The chapter analysis of chapter 27 of title 35, United States Code, is amended by striking out the following item:

"266. Issue of patents without fees to Government employees."

SEC. 11. Section 112 of title 35, United States Code, is amended by adding to the second paragraph thereof the following sentence: "A claim may be written in independent or dependent form, and if in dependent form, it shall be construed to include all the limitations of the claim incorporated by reference into the dependent claim."

Passed the House of Representatives January 22, 1964.

Attest:

RALPH R. ROBERTS, *Clerk.*

[S. 2547, 88th Cong., 1st sess.]

A BILL To fix certain fees payable to the Commissioner of Patents, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That (a) the items numbered 1 through 11 in subsection (a) of section 41 of title 35 of the United States Code are amended to read as follows:

"1. On filing each application for an original patent except in design cases, $70, and $5 for each claim in excess of ten filed originally or pending and under consideration at any other time during prosecution.

"2. On issuing each original patent, except in design cases, $60, and $10 for each claim in excess of ten.

"3. In design cases:

"(A) On filing each design application, $20.

"(B) On issuing each design patent: for three years and six months, $10; for seven years, $20; and for fourteen years, $30.

"4. On every application for the reissue of a patent, $70, and $5 for each claim over and above the number of claims in the original patent.

"5. On filing each disclaimer, $15.

"6. On filing an appeal from the examiner to the Board of Appeals, $25; on filing a brief in connection with an appeal to the Board of Appeals, $25; and where an oral hearing is requested and not withdrawn, $25 at least thirty days before the schedule date of hearing of the appeal.

"7. On filing each petition for the revival of an abandoned application for a patent or for the delayed payment of the fee for issuing each patent, $50.

"8. For certificate under section 255 or under section 256 of this title, $15.

"9. For uncertified printed copies of specifications and drawings of patents (except design patents), 50 cents per copy; for design patents, 20 cents per copy; special rates for libraries specified in section 13 of this title, $100 for patents issued in one year.

"10. For recording every assignment, agreement, or other paper, $20; for each additional patent or application included in one writing, where more than one is so included, $3 additional.

"11. For each certificate, $2."

(b) Subsection (a) of such section 41 is further amended by adding at the end thereof the following additional numbered items:

"12. On the filing of every petition for the institution of public use proceedings, $100.

"13. On the filing of any motion in interference proceedings, $50.

"14. Upon filing every brief except a reply brief on final hearings before the Board of Patent Interference Examiners, $100."

(c) Section 41, title 35, United States Code, is amended by adding at the end thereof the following new subsection:

"(c) The fees prescribed by or under this section shall apply to any other Government department or agency, or officer thereof, except that the Commissioner may waive the payment of any fee for services or materials in cases of occasional or incidental requests by a Government department or agency, or officer thereof."

SEC. 2. Section 31 of the Act entitled "An Act to provide for the registration and protection of trademarks used in commerce, to carry out the provisions of certain international conventions, and for other purposes", approved July 5, 1946 (60 Stat. 437, as amended; 15 U.S.C. 1113), is amended to read as follows:

"SEC. 31. (a) The following fees shall be paid to the Commissioner of Patents under this Act:

"(1) On filing in each class each original application for registration and each application for renewal, $60; on filing in each class each application for renewal after expiration of a registration, an additional fee of $5.

"(2) Before issuing each registration of a mark in each class, $25.

"(3) On filing an affidavit under section 8(a) or section 8(b), $10.

"(4) On filing each petition for the revival of an abandoned application, $15.

"(5) On filing notice of opposition or application for cancellation, $50.

"(6) On appeal from an examiner in charge of the registration of marks to the Trademark Trial and Appeal Board, $50.

"(7) For issuance of a new certificate of registration following change of ownership of a mark or correction of a registrant's mistake, $15.

"(8) For certificate of correction of registrant's mistake or amendment after registration, $15.

"(9) For certifying in any case, $2.

"(10) For filing each disclaimer after registration, $15.

"(11) For printed copy of registered mark, 20 cents.

"(12) For recording every assignment or other paper, $20; for each additional registration or application included, or involved in one writing where more than one is so included or involved, $3 additional.

"(13) On filing notice of claim of benefits of this Act for a mark to be published under section 12(c) hereof, $10.

"(b) The Commissioner may establish charges for copies of records, publications, or services furnished by the Patent Office, not specified in subsection (a).

"(c) The Commissioner may refund any sum paid by mistake or in excess."

SEC. 3. (a) Section 266 of title 35 of the United States Code is repealed.

(b) The table of sections at the beginning of chapter 27 of such title is amended by striking out the following item:

"266. Issue of patents without fees to Government employees."

SEC. 4. (a) Except as provided in the succeeding subsections of this section, the amendments and repeal made by this Act shall take effect three months after the date of enactment of this Act.

(b) The amendments to items 1, 3, and 4 of section 41(a) of title 35 of the United States Code shall not apply as to proceedings taken after the effective date of such amendments with respect to applications filed before the effective date of such amendments.

(c) The amendments to items 2 and 3(b) of such section 41(a) shall not apply as to any case in which the application has been allowed, or in which a patent was issued, prior to the effective date of such amendments.

(d) The fee prescribed in paragraph 13 of section 31(a) of the Act of July 5, 1946 (60 Stat. 437, as amended; 15 U.S.C. 1113), as amended by this Act, shall apply only in the case of registrations issued and registrations published under the provisions of section 12(c) of that Act (15 U.S.C. 1062(c)) on or after the effective date of the amendment made by this Act.

Senator McCLELLAN. Is there anything else?

Mr. DINKINS. Not at this time.

(Subsequently the following was received and inserted at this place in the record by order of the chairman.)

GENERAL COUNSEL OF THE DEPARTMENT OF COMMERCE,
Washington, D.C., March 31, 1964.

Hon. JAMES O. EASTLAND,
Chairman, Committee on the Judiciary,
U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: This is in reply to your request for the views of the Department of Commerce with respect to S. 2547, a bill to fix certain fees payable to the Commissioner of Patents, and for other purposes.

The last significant change in the fees charged by the Patent Office in the examination of patent applications and registration of trademarks was enacted in 1932. In 1932, the operating costs of the Office were $5,314,852 and income from the fees charged was $4,306,389 or 81 percent of the costs. There is a long history of complete or substantially complete recovery of costs which runs through 1941. Since then the costs have risen sharply and recovery from fees has dropped on a percentage basis. In fiscal 1963 the operating costs were $26,912,687 with an income from fees of $8,393,342, slightly less than one-third of the costs.

We have urged legislation to increase the fees for a number of years. Because of the public interest in the promotion of the sciences and useful arts, we have sought increases which would result in returns approximating recovery of only three-fourths of the operating cost rather than complete recovery. The Bureau of the Budget of the Executive Office of the President has supported legislative proposals for this purpose. Generally, this goal is accepted. Difficulty develops in seeking agreement on the precise schedule of fees to be used in achieving this goal.

The Committee on the Judiciary reported favorably during the 87th Congress a bill, S. 2225, which established fees which would resolve this matter, in our opinion, very satisfactorily. A legislative proposal with only minor and noncon-

troversial differences from S. 2225 was passed by the House of Representatives in January of this year. This act is H.R. 8190. In a hearing on this act and on S. 2547, the subject bill, held by the Subcommittee on Patents, Trademarks, and Copyrights February 27 and 28 of this year, Assistant Secretary of Commerce Hollomon and Acting Commissioner of Patents Reynolds presented the views of the Department of Commerce in detail, favoring enactment of H.R. 8190.

There are the following important differences between H.R. 8190 and S. 2547 which lead us to prefer enactment of H.R. 8190 rather than the other measure.

MAINTENANCE FEES

The most controversial feature of H.R. 8190 is the provision for maintenance fees which are new to this country. This feature is not found in S. 2547. We believe the reasons for proposing maintenance fees are basically sound. If we were to increase existing fees to effect the increases, the initial filing fees and issuance fees are the fees which would have to bear the burden of the increases. The filing fee should be kept as low as possible to allow the inventor access to the examination by the Office to see if his discovery is patentable. When the patent issues the patentee then knows he has a patentable item although the commercial acceptance of the item may not be assured. Here then, in contrast to the filing fee, a greater portion of the cost may properly be assessed to him. If his discovery has found acceptance as demonstrated by an assignment the assignee will bear this cost. If the invention has not found acceptance it would be better, in our opinion, if a share of the cost could be postponed until later when a more effective evaluation of the potential of the invention could be made. This postponement is provided for by the use of maintenance fees. These fees which are paid during the term of the patent to keep the monopoly alive are not new to persons who have sought protection for their inventions in other countries. They are used by all industrialized countries and most other countries except the United States and Canada. These proposed fees would be due at the 5th, 9th, and 13th years of the term of the patent in the amounts of $50, $100, and $150, respectively. In addition, under H.R. 8190, an inventor-owner may defer payment of maintenance fees until the 13th year of the term, when returns from the patent have not equaled maintenance fees due.

Because of the anticipated return from these fees, an initial filing fee of only $50 is provided by H.R. 8190. On an average application of 2 claims over 10 and 2 independent claims over 1, the average combined fee under this bill for filing would be $74. A comprehensive study described in the Journal of the Patent Office Society of November 1954, confirmed more recently by representative sampling, shows that about 25 percent of the applications contain 1–5 claims, and about 62 percent contain 1–10 claims. It seems clear, therefore, that most relatively simple inventions could be described by 1 independent claim and not more than 10 claims and would be examined by the Office for the minimum fee of $50 under H.R. 8190. The minimum fee for access to the examination process for a patent under S. 2547 would, however, be $70. The combined filing fee for the average application described above would be $80 under S. 2547.

FEES FOR PATENT COSTS

Because S. 2547 does not rely on maintenance fees, other increases in charges are made to effect recovery of costs. One such provision would be the doubling of the charge for copies of patents. The present charges, which would be preserved by H.R. 8190, are 10 cents for design patents and 25 cents for other patents. At this rate the dissemination of these copies is self-supporting. We believe it is very important to keep these fees as low as possible, consistent with cost, to avoid the possibility that a higher cost per patent copy might discourage the dissemination to the public of the technical information published in U.S. patents. This dissemination is the end product of the patent system, the consideration to the public for the grant of the monopoly. We do not believe that the fee for dissemination should be increased beyond cost to defray part of the costs of examination of applications.

TRADEMARK FEES

The fees proposed by H.R. 8190 for trademark operations are intended to recover the cost of this work. S. 2547 would recover an amount substantially in excess of that cost, specifically, to the extent of about $1 million per year. Thus, in effect, the trademark operations could be said to be subsidizing the patent operations of the Office. This, in our opinion, would be neither fair nor reasonable.

DATE OF ISSUANCE OF PATENT

H.R. 8190 provides that the issue fee shall be due within 3 months after the written notice of allowance of the application is mailed to the applicant. This compares with the present law which provides for payment of the issue fee within 6 months after notice of allowance. We believe that this amendment to the patent laws is very important since (1) this will reduce the amount of work required on the part of the Patent Office (e.g., by reducing the magnitude of interference searches); (2) this will enable the U.S. patent to issue at an earlier date thereby expediting the disclosure of technical information to the scientific community at an earlier date; and (3) the earlier issuance of U.S. patents would make it possible for our examiners to more effectively utilize such patents as references against earlier filed applications. We strongly endorse this particular provision of H.R. 8190 which will enable us to reduce the pendency of applications in the Patent Office by 3 months. S. 2547 does not provide for such an amendment.

SEPARATE FEE FOR INDEPENDENT CLAIMS AND PRINTING CHARGES ON ISSUE

H.R. 8190 provides for payment of a fee of $10 for each claim in independent form which is in excess of one. We believe that this provision, which is not included in S. 2547, is a desirable feature. The separate fee for independent claims in excess of one recognizes the increased cost of examining independent claims in the Patent Office and further, it should encourage applicants, and their attorneys and agents, to give careful consideration to presenting only that number of independent claims which are really necessary for adequate patent protection. The tremendous backlog of pending applications in the Patent Office makes it important to optimize our efforts in all phases of the patent examining procedure.

We believe it should be emphasized that H.R. 8190 does not provide that applicants cannot include more than one independent claim in their patent applications, contrary to the impression that one might obtain from some of the opponents of this provision, but rather independent claims in excess of one will simply require a separate fee of $10 per claim.

Another somewhat related provision of H.R. 8190 provides that a fee of $10 per page of printed specification and $2 per sheet of drawing will be charged upon the issuance of a patent. This provision is not included in S. 2547. We believe that this particular provision of H.R. 8190 is justified on the basis of additional expenses involved in printing patents. At the time of the hearing on S. 2225, the printing of each page of specification reflected an out-of-pocket cost to the Office of $14.75. Since that time, the cost has risen to $17.40. We estimate that with improved practice the average issued patent will have 3.6 pages of specification and 2 sheets of drawing. Since this is an average figure, a patent on a relatively simple invention will require less than this number.

There is enclosed for your consideration a table comparing the different major fees proposed by S. 2547 and H.R. 8190 and estimated income therefrom. This table is based on the same assumptions as those which provided the basis for table 1 of Senate Report No. 2167 on S. 2225 of the 87th Congress, and table 1 of House Report No. 949 on H.R. 8190. Based on the assumptions noted, the income from S. 2547 would exceed the income from H.R. 8190 excluding maintenance fees by $1.1 million annually. When maintenance fees are in full effect under H.R. 8190, the latter bill would produce about $1.7 million more annually.

Quite apart from the differences in the estimated income from the two proposals, we urge, for the reasons set forth above in detail, enactment of H.R. 8190 rather than S. 2547.

We are advised by the Bureau of the Budget that there would be no objection to the submission of this report and further, that enactment of H.R. 8190 would be consistent with the administration's objectives.

Sincerely,

ROBERT E. GILES.

	H.R. 8190		S. 2547		Difference from table 1, p. 13 of H. Rept. 949 on H.R. 8190
		Thousands		*Thousands*	*Thousands*
Patent filing, original patent	$50	$4,150	$70	$5,810	+$1,660
	$2 each claim over 10	332	$5 each claim over 10	830	+498
	$10 each individual claim over 1	1,660			−1,660
Patent issue, original patent	$75	3,510	$70	3,276	−234
	$10 each page of specification as presented.	1,685			−1,685
	$2 each sheet of drawing	187			−187
			$10 each claim over 10 (average of 1 claim over 10).	468	+468
Patent issue, reissue patent	$75	15			−15
	$10 each page of specification as presented.	7			−7
	$2 each sheet of drawing	1			−1
Patent filing, reissue patent	$50	10	$70	14	
	$2 each excess claim over 10	(1)			−3
	$10 each excess individual claim	3			
			$5 each excess claim	1	+1
Patent appeals	$100 with oral hearing	300			−300
	$50 without oral hearing	50			−50
	$25 if withdrawn	150			−150
			$25 on filing appeal	250	+250
			$25 on filing appeal brief	125	+125
			$25 for oral hearing	125	+125
Patent copies	25 cents, except designs	1,529	50 cents, except designs	3,058	+1,529
	10 cents for designs	5	20 cents	10	+5
	$50 annual for libraries	1	$100 annual for libraries	2	+1
	$1 for large ones and plant patents in color.	15			−15
Recording patent assignments	$20 each item	1,600	$20 each assignment	1,200	−400
			$3 each extra item	60	+60
Certification of copies	$1 each certificate	75	$2 each certificate	150	+75
Trademark filing	$35	823	$60	1,410	+587
Trademark renewal	$25	65	$60	156	+91
Trademark issue			$25	450	+450
Trademark opposition or cancellation	$25	30	$50	60	+30
Trademark appeals	$25	2	$50	4	+2
Certification of copies	$1	9	$2	18	+9
Trademark copies	10 cents	34	20 cents	68	+34
Trademark assignment	$20 each item	264	$20 each writing	66	−198
			$3 each extra item	30	+30
Subtotal, excluding maintenance fees					+1,129
Patent maintenance		2,877			−2,877
Total difference, including maintenance fees					−1,748

1 Less than $500.

Senator McCLELLAN. Who is the first witness?

Mr. DINKINS. Dr. Hollomon.

Senator McCLELLAN. Dr. Hollomon, Assistant Secretary for Science and Technology, Department of Commerce.

Gentlemen, this is a legislative hearing and it is not necessary for the witnesses to be sworn. You are free to make your opinions known, tell us what you think as well as what you know.

STATEMENT OF J. HERBERT HOLLOMON, ASSISTANT SECRETARY FOR SCIENCE AND TECHNOLOGY, DEPARTMENT OF COMMERCE

Mr. HOLLOMON. Gentlemen, I have a brief statement I would like to insert in the record, if you wish, sir, and I shall summarize it even more briefly.

Senator McCLELLAN. The statement will be printed in the record at this point. I appreciate your doing it in that manner. Highlight it now and emphasize the points you think should receive our special consideration.

(The statement referred to follows:)

(Subsequently the following was inserted at this place in the record by order of the chairman:)

STATEMENT OF J. HERBERT HOLLOMON, DEPARTMENT OF COMMERCE, ASSISTANT SECRETARY FOR SCIENCE AND TECHNOLOGY, WITH RESPECT TO H.R. 8190

Mr. Chairman, I appreciate the opportunity of appearing before this subcommittee to testify in support of the patent fee bill which I believe is very important to the future welfare of the United States. Both Secretary Hodges and I believe this bill is essential to the administration of a sound patent system.

In the 87th Congress, the Senate Committee on the Judiciary, on September 27, 1962, reported favorably on S. 2225, a bill which contained provisions substantially the same as those of the present H.R. 8190. I will not undertake to report in detail the arguments presented by the Commissioner of Patents in his statement before you on September 4, 1962, with which I am sure you are familiar.

This committee's previous action has indicated its approval of the principle of the modernization of the Patent Office fee structure to generate additional revenues through higher fees which will offset, to an increased degree, the cost of providing necessary improvements in the scope and character of Patent Office services to the public.

This committee's favorable action on S. 2225, to which I heartily subscribe, also has demonstrated its acceptance of certain specific aims of the proposed legislation. I feel it will be valuable to summarize these as follows:

(1) To provide a fee structure in which the fees charged for filing an application and issuing a patent bear a more reasonable relation to the cost of examining a specific application and issuing a patent;

(2) To provide economic incentives for greater clarity, brevity, and improved form of applications and claims, thereby leading to more efficient examination of applications; and, therefore, a decrease in the time during which an application is pending in the Patent Office;

(3) To defer the payment of maintenance fees when the inventor has not received income from the invention equal to the fees due;

(4) To bring into the public domain immediately those patents upon which maintenance fees have not been paid; and

(5) To minimize through the fee structure any deterrent effect upon the filing of new applications.

As Assistant Secretary of Commerce for Science and Technology, it is one of my specific responsibilities to stimulate the country's economic growth by adopting policies designed to bring into commercial use as quickly as possible those inventions for which patents are sought. Profitable exploitation of patentable inventions means new business and jobs, and consequently an expanding economy. Hence we intend to do all we can to use the patent system to encourage inventors

to present their concepts for examination for novelty. These creative individuals are the members of our society to whom we look for future scientific, technological progress.

In our opinion, the fee structure provided in H.R. 8190, and specifically the proposed filing, issue, and maintenance fees, will effect the fiscal recovery sought and at the same time we do not believe it will discourage inventors from seeking patent protection for their contributions. Compared with the total cost of filing for a patent through a competent patent attorney, the fee increase is, in any case, proportionately small.

Of particular concern to the Department of Commerce have been the problems of how to bring an inventor's new concepts and contributions more quickly before the business and scientific community. I am dissatisfied because the average gestation period for a patent application is in excess of 3 years. This results from the tremendous backlog (currently about 215,000 pending applications), an ever-increasing volume and complexity of prior art to be searched, and a high examiner turnover rate.

An important characteristic of our patent system is the fact that the publication of a patent stimulates the formulation of different or alternative ways of achieving the same result, often better than the original patent which provided the inspiration. The effect of this phenomenon on our competitive economy has been evident many times.

An expected result of great potential importance in the proposed fee bill, and one which may contribute significantly, is a shortening of the examination process, leading to earlier publication of patents. For example, H.R. 8190 proposes a substantial charge for each claim in excess of 1, in independent form, and an additional charge for each claim, irrespective of form, in excess of 10. Added to the basic issue fee will be printing fees for each page of specification and for each sheet of drawing. These fees present a substantial economic incentive to an applicant to submit only such claims as are really necessary, and to present these in dependent form whenever possible, thus simplifying the examiner's job.

The bill before you introduces something new in American patent law. For the first time we are supporting a series of fees for keeping a patent alive for the statutory maximum of 17 years. These fees are to be payable three times during a patent's life, at times selected for evaluation of the patent as to its commercial success. The purpose of these fees is to place an equitable part of the financial burden of maintaining and administering the patent system upon those who benefit most from it. This feature will undoubtedly work in favor of the smaller, less wealthy, inventor.

I am well aware that there is active opposition to the principle of maintenance fees. The primary arguments used against such fees are that they will stifle or retard invention itself, that they are unfair or place a disproportionate burden on the unaffiliated inventor, and that they will be costly to administer. However, a study of the effects of maintenance fees in various industrialized European countries refutes this argument. Of these countries, 10 hold significant leads over the United States in per capita number of patent applications, although the maintenance fees in some 8 or 9 of these countries are substantially higher than those proposed in H.R. 8190. As for administrative costs, we strongly believe that modern computerized techniques are quite adequate to handle such functions at relatively low cost in the Patent Office. American corporations having a large number of patents are already set up to handle the same problems with foreign patents.

As for discrimination against the small inventor, the schedule of fees we advocate has been consciously tailored to encourage the small inventor to seek examination of his invention to see if it is patentable, by keeping the initial filing fee low, by keeping the final issue fee as low as possible, and by providing him with the right to defer the maintenance fees if the patent has not met with timely public acceptance.

In his testimony, Commissioner Reynolds will discuss in greater detail some of the aspects of the proposed fee structure. In conclusion, I should simply like to emphasize to this committee the importance which the Commerce Department places on H.R. 8190 and to express my own full support.

Thank you very much.

Mr. HOLLOMON. We have reviewed this legislation in view of the past testimony and I am here to testify in support of the patent fee bill, which I believe is very important to the future efficiency of the future welfare of the United States.

I feel it is important to summarize very briefly what the intention of this bill is. It is to provide a fee structure in which the fees charged for filing an application and issuing a patent bear a more reasonable relation to the cost of examining a specific application and issuing a patent; it is to provide economic incentives for greater clarity and brevity; it is to defer the payment of maintenance fees when the inventor has not received income from the invention equal to the fee due; and, I think most importantly, to bring into the public domain immediately those patents upon which maintenance fees have not been paid, and, finally, to minimize through the fee structure any deterrent effect upon the filing of new applications.

As Assistant Secretary of Commerce for Science and Technology, I am interested and have been interested through most of my adult life in stimulating innovation. It would be my feeling that high initial fees would tend to keep the inventor and invention from the Patent Office and that these fees should not be raised unduly; rather, that a part of the fees be postponed, if you will, until such time as the patent value can be more clearly established and the cost be more equitably distributed.

Senator McCLELLAN. May I ask at that point, how would you do that? Are you going to set up an initial fee and then provide that if the patent becomes successful and becomes commercially profitable, he will have to pay an additional fee?

Mr. HOLLOMON. Yes, sir; he pays a maintenance fee——

Senator McCLELLAN. I assume that maintenance fee will be attached. The one you are talking about is a little different from the one we have?

Mr. HOLLOMON. No, sir; it is exactly the same. I am referring precisely to the maintenance fee as embodied in the bill.

Senator McCLELLAN. You are referring to it as is?

Mr. HOLLOMON. As is. I am just making the point that rather than raising the intial fees to make it hard to enter the Patent Office, this postpones in a sense the fees until such time as the values can be more equitably and reasonably established. Therefore, we support the maintenance fee concept and the maintenance fees as indicated in the bill.

Senator McCLELLAN. But, Doctor, suppose that in 5 years or whatever period of time this is, when the maintenance fees that materialize become payable, suppose the patent has not yet developed into a profitable venture? There has been no substantial earnings from it. What do you do then? Do you still defer a maintenance fee?

Mr. HOLLOMON. To continue a patent in effect during the 17-year term, the maintenance fee must be paid unless the inventor owns the patent. Then he may defer it if the income from that invention has not been sufficient to pay the fee.

Senator McCLELLAN. He would have to establish the fact that he had not received income from it and therefore he had not yet profited from it, and it would be automatically extended if he had established that fact?

Mr. HOLLOMON. That is correct, sir.

Senator BURDICK. Mr. Chairman, at that point, what type of proof would he then be put to to show he had not earned money on it?

Mr. HOLLOMON. An affidavit would be submitted to demonstrate that that was the case, sir. The owner of the patent would submit an affidavit that that was the case.

Senator MCCLELLAN. Would you not require him to state in that affidavit what compensation or benefits he had received, if any?

Mr. HOLLOMON. Yes, sir. He would submit an affidavit in support of his claim that he had not received sufficient income.

Senator MCCLELLAN. And, of course, you would reserve the right to verify any facts or statements submitted in that affidavit if, by your own investigation, you had cause or reason to believe there was a misleading statement in the affidavit?

Mr. HOLLOMON. Absolutely, sir.

We have been particularly concerned, as you know, in addition, in the Department with respect to the large backlog, with the large increase in complexity of the work in the office and this patent fee will in fact lead to a more efficient and a more clear and a more concise statement of the patent claims.

An expected result of great importance is the shortening of the examination process which we think will be a result of the incentives to reduce the number of claims and the type of claims which are required in the bill.

I am well aware that there is active opposition primarily to the principle of maintenance fees. The primary arguments used against these fees are that they will stifle or retard invention, that they are unfair or place a disproportionate burden on the unaffiliated inventor, and that they will be costly to administer.

However, a study of the effects of maintenance fees in various industrialized European countries refutes the argument, it seems to me. Of these countries, 10 hold significant leads over the United States in per capita number of patent applications, although the maintenance fees in some 8 or 9 of these countries are substantially higher than those that are proposed in H.R. 8190.

As for administrative costs, we strongly believe that modern computer techniques are quite adequate to handle such functions at relatively low cost in the Patent Office, substantially lower cost than will be the income that would be received in such fees.

American corporations having a large number of patents are already set up to handle the same problems of maintenance fees for their applications in foreign countries and the systems are well worked out for so doing.

As for discrimination against the small inventor, the schedule of fees that we advocate has been consciously tailored to encourage the small inventor to seek examination of his invention at the Patent Office, to see if it is patentable, by keeping the initial fee low, as I have said, by keeping the final fee as low as possible and by providing him with the right to defer the maintenance fees if the patent has not met with timely public acceptance.

In his testimony Commissioner Reynolds will discuss in greater detail some of the aspects of the proposed fee structure. I personally would like to emphasize that this bill leads, it seems to me, to proper Government management of the patent system, a nearly complete recovery in costs, incentives for the inventor and for the patent attorney to file concise claims and patent applications, and would, in fact, stim-

ulate the use of patents in the public domain if they were not, in fact, being used by private corporations or private inventors.

I thank you for the privilege of testifying.

Senator McCLELLAN. Let me ask you, Mr. Secretary:

The patent fees, I believe, am I correct, have not been increased since 1932?

Mr. HOLLOMON. That is correct, sir.

Senator McCLELLAN. I wish, if you did not have it in your prepared statement, you would supply for the record, when they were last increased, what percentage of cost of operating the Patent Office was being recovered from fees?

Mr. HOLLOMON. That particular year, sir, we have it in past testimony, but to bring it up to answer your question, it was approximately 100 percent. It varied from year to year; sometimes being a little more, sometimes being a little less. We recovered very nearly 100 percent.

Senator McCLELLAN. In 1932, you were recovering this?

Mr. HOLLOMON. Yes, sir.

Senator McCLELLAN. You mean with the increase that was enacted in 1932 or before the increase was enacted?

Mr. HOLLOMON. It looks like—it is hard to tell from the chart. It looks like the increase allowed us to recover 100 percent. Just before then, we were recovering around 90 or 95 percent.

(The following figures on recovery were supplied later:)

	Percent
1932	81
1933	93
1934	108

Senator McCLELLAN. In other words, back in those days, the Patent Office was practically self-sustaining?

Mr. HOLLOMON. Yes; in 1934, we recovered slightly more money than our costs.

Senator McCLELLAN. In that period of time, then, it was substantially self-sustaining?

Mr. HOLLOMON. Yes, sir; it was until 1939.

Senator McCLELLAN. Now, then, will you insert in the record at this point what it was costing to operate the Patent Office?

Mr. HOLLOMON. Yes, sir; let's take the figure in 1932. In that year, the costs were $5 million.

Senator McCLELLAN. The total cost of operating the Patent Office, $5 million?

Mr. HOLLOMON. Yes, sir; and remained approximately at that figure, though there was some variation with the depression, until about 1943 or 1944.

Senator McCLELLAN. What is the cost of operating the Patent Office now?

Mr. HOLLOMON. Fiscal 1964's cost is $29 million, sir.

Senator McCLELLAN. What part of that are you recovering from fees collected by the Patent Office?

Mr. HOLLOMON. Less than one-third, sir.

Senator McCLELLAN. Less than one-third. Could we say that generally the value of patents that are of any value have increased proportionately to the rise in the economy in this country over that period of time?

Mr. HOLLOMON. It is a very difficult question to answer quantitatively, sir. I think my view would be that there has been no decrease in the value and certainly increase over that broad period of the number of applications granted. I certainly believe that the net value of invention with a larger country and broader markets has increased substantially during that period; yes, sir.

Senator MCCLELLAN. What I would think based on the economy at that time, a patent that was of value would be worth so many dollars.

Mr. HOLLOMON. Right.

Senator MCCLELLAN. As of today, the same patent of the same dimensions and benefits, so to speak, would on today's market be worth, dollarwise, more money?

Mr. HOLLOMON. No question about that, sir.

Senator MCCLELLAN. Well, I am trying to equate this thing in this way: Now, the Patent Office should be made more nearly self-sustaining than, for the public to pay, out of general funds the 70 percent of the cost. You feel that it is more equitable for those who get the benefits from it, to pay more of the costs?

Mr. HOLLOMON. Yes, sir; I believe that the primary beneficiaries should be the primary bearers of the burden of the cost.

Senator MCCLELLAN. Doctor, have you estimated how much or what percentage this bill, with these fees, would raise the contribution of the beneficiaries?

Mr. HOLLOMON. At the beginning, before the maintenance fees come into operation, it would be less than 75 percent, but when they do come into full operation, it would be approximately 75 percent—just a minute—may I make one correction?

Senator MCCLELLAN. Yes.

Mr. HOLLOMON. This is based upon the present costs of operating the Patent Office. There is a bit of confusion here which I would like to clarify. At the beginning, the maintenance fee portion would not be in effect, obviously, because it is not retroactive on anyone's patents. That income would not be available at first.

Senator MCCLELLAN. In other words, the maintenance fees would not attach to patents heretofore issued?

Mr. HOLLOMON. That is correct.

Senator MCCLELLAN. It only applies to patents hereafter granted; is that correct?

Mr. HOLLOMON. That is correct.

Let me answer your question more explicitly. The first year or two of operation presenting no increase in Patent Office costs, the increase would be around—let's say two-thirds of the cost.

At a later time, as the maintenance fees rise, there would be increased income, but no doubt increased costs. So I do not know that we can say exactly what the proportion would be at a later time, but let us say approximately two-thirds.

Senator MCCLELLAN. In other words, you think finally the consequences of this legislation, if it is enacted, will produce about two-thirds of the cost of operating the Patent Office, whereas in 1932, the revenues were substantially supporting the Patent Office?

Mr. HOLLOMON. Right.

Senator MCCLELLAN. Now, of those who may oppose the measure, and I want to hear them, and get their point of view—do you know, or

can you give us any item now that is proposed as a substitute, as a means of raising a part of the revenue to support the cost of operating the Patent Office?

Mr. HOLLOMON. May I make one additional statement to your earlier question which I overlooked?

Senator MCCLELLAN. Yes.

Mr. HOLLOMON. I would like to point out to you, as you well know, when Government costs are calculated, what are considered normal overhead costs are not included. We do not charge the depreciation of the buildings and so forth to the cost of the Patent Office.

Senator MCCLELLAN. You are talking about the actual salary, cost, and so forth, of operating?

Mr. HOLLOMON. Yes, sir; a business operation would include those costs as well, if those costs were included, which the public is providing to the Patent Office as costs, then the recovery would be substantially less than two-thirds.

Senator MCCLELLAN. I do not think we ever calculate that in, the buildings, the space, the depreciation.

Mr. HOLLOMON. But it is a cost.

Senator MCCLELLAN. I think we do well to recover a substantial part of the other.

Mr. HOLLOMON. I just wanted to point out that it is not the whole cost by any manner of means.

Senator MCCLELLAN. Very well.

Mr. HOLLOMON. An alternate proposal is the one suggested by——

Senator MCCLELLAN. Just for a moment—it occurred to me if we are not going to raise these fees to recover some of this cost, what is the alternative? How do we raise the revenues if we do not pursue it by this means?

Mr. HOLLOMON. I have just had, as you know, a proposed alternate by Senator Dodd. We have had just a few days to look at the costs and comparative recoveries.

Senator MCCLELLAN. I have not read his bill. I do not know what it says.

Mr. HOLLOMON. We have had just a day, but in general, the proposal of Senator Dodd, and this is subject to correction with the analysis we have done, would propose to raise the initial fee higher than the proposed H.R. 8190.

That is, the entrance fee into the Patent Offic would be higher. The second fee that would be raised, the second charge that would be larger would be the sale of patent documents to the general public, to anyone who wanted to buy them, doubling that charge; and thirdly, it would increase the charges on trademarks generally, both filing, renewal, and issue.

Our position on the matter, the latter two points I would like to comment on. This would more than recover the costs of trademark operations, so the trademark applications would be paying a part of the patent costs.

Second, we believe that the sale of patent documents should be made as reasonable as possible so that the general public can be knowledgeable of the patents that are available, for it is for that purpose that we have a patent system at all, that for making available to the general public the nature of the invention, we grant this

special monopoly to the inventor, and it is for that trade, if you will, that we issue a patent. So we believe that the patent documents should be made available to the public at the most reasonable cost.

Senator McCLELLAN. Then the real issue here as between the two bills is just where you put the cost, where you attach the additional fee? That is the real issue?

Mr. HOLLOMON. Right.

Senator McCLELLAN. That is what we will have to consider?

Mr. HOLLOMON. That is exactly it.

Senator McCLELLAN. You may have not had time to study Senator Dodd's bill as much as you would like, so I will say this to you: Those of you in the Department who are interest in this legislation, after you have studied this bill, if you wish to supply a supplemental statement, the committee will be glad to receive it or to hear you if you wish to return. I have no interest in which bill or which method, no personal interest, and I am sure no member of the committee has. It is a question of finding out what is the best and proper way to bring up these revenues. We need to bring them up.

Mr. HOLLOMON. And in addition, to provide, I think, sir, incentives to make the patent system operate as effectively as we know how, in addition.

Senator McCLELLAN. That is right. We are trying to find out the best way to do it and still preserve the incentive and motive and everything else.

Senator Burdick; any questions?

Senator BURDICK. I believe that all are agreed that there must be some increase in—you call it the entrance fee and the final fee. The levels, I presume, differ, is that right?

Mr. HOLLOMON. Right.

Senator BURDICK. The core of the contention, then, is in the maintenance fee?

Mr. HOLLOMON. I think that is a fair statement. I believe there are some other small differences, but the core of the contention is the maintenance fee.

Senator BURDICK. And it is your belief that as the owner of the patent prospers, he should pay for that period of protection of 17 years?

Mr. HOLLOMON. Yes, sir, it is our belief that it is equitable; not only equitable but in the best interests of the general public, for the owner of the patent to progressively pay the costs of application and prosecution, processing of the patent, as he determines its value, and further, that an incentive to put in the general public domain inventions not in use is useful and will stimulate invention and innovation in the country. It is for these reasons that we believe that the progressive fee, the maintenance fee increase is to the best interest of the Nation generally.

Senator BURDICK. You referred to the use of the maintenance fee principle in foreign countries?

Mr. HOLLOMON. Yes, sir.

Senator BURDICK. What countries use it?

Mr. HOLLOMON. All industrialized foreign countries and most other countries except Canada and the United States. Many of these main-

tenance fees are much higher than in our country. In Germany, as I remember, it is $2,400 total during the life of the patent.

You might be interested to know that if this fee bill is passed in its present form, U.S. owners of patents will pay to the U.S. Government approximately what they are paying to the German Government to maintain U.S. interests in German patents.

Senator McClellan. Say that again.

Mr. Hollomon. Approximately—you cannot do this calculation exactly—but approximately the same amount of money would be paid by U.S. owners of patents in Germany for maintaining their patents in Germany, they would pay approximately this same amount of money to maintaining their ownership of patents in the United States.

Senator Burdick. Well, stated another way, the patent owners are today paying maintenance fees for their patents in Germany?

Mr. Hollomon. Yes, sir; in all foreign countries except in Canada and the United States. In Germany particularly.

Senator Burdick. How do these maintenance fees proposed in the House bill compare to maintenance fees paid in Europe?

Mr. Hollomon. In the case of Germany, for example, it would be only approximately 10 percent of the German maintenance fee during the life of the patent. Therefore, the total cost of what the owners of patents in this country are paying to our Government for maintenance fees would equal about what our owners are now paying to maintain U.S. patents in Germany. This is of the same order of magnitude.

Senator Burdick. Do you have any knowledge or history as to what the lapsed condition is in Europe of patents? Is that the way you express it?

Mr. Hollomon. If we refer to figure 16, page 79, of the September 1962 hearings before this body, the lapsed rate is shown there, we have the figures for the lapsed rate at the end of 10 years. For Germany, it is approximately 50 percent at the end of 10 years from the date of filing.

Senator McClellan. About 50 percent of them lapse?

Mr. Hollomon. Yes, sir.

Senator McClellan. In other words, the rights are forfeited by reason of not paying the renewal fee?

Mr. Holloman. That is correct.

Senator Burdick. Do they have this mechanism for filing affidavits showing no income or that sort of thing?

Mr. Hollomon. I do not think they allow deferrals for private inventor owners. We can check that point, but I think that is correct.

Senator Burdick. That will be all for this time; thank you.

Senator McClellan. Off the record.

(Discussion off the record.)

Senator McClellan. Mr. Secretary, thank you again. Again I invite you, in the course of the hearing, if anything develops that you wish to comment on, if you have pertinent information that the committee should have in weighing this legislation, we shall be happy to receive it. Feel free to let us know.

Mr. Hollomon. Thank you for your kindness and courtesy.

(The following was subsequently submitted by Mr. Hollomon:)

THE ASSISTANT SECRETARY OF COMMERCE,
Washington, D.C., March 20, 1964.

Hon. JOHN L. MCCLELLAN,
Chairman, Subcommittee on Patents, Trademarks, and Copyrights, Committee on the Judiciary, U.S. Senate, Washington, D.C.

DEAR SENATOR MCCLELLAN: Since the hearings by your Subcommittee on Patents, Trademarks, and Copyrights on H.R. 8190 and S. 2547 on February 27 and 28 we have had an opportunity to consider the transcript of the hearing and the statements presented by those participating.

We have prepared comments on the views there expressed which we would like to have considered by the subcommittee in its deliberations on the matter, and, if appropriate, to have these comments included in the report of the hearings. We have avoided burdening the record with unwarranted repetitions of views already expressed by the representatives of the Department of Commerce at the hearings or otherwise.

The comments are enclosed.

Sincerely yours,

J. HERBERT HOLLOMON.

FURTHER VIEWS OF THE DEPARTMENT OF COMMERCE ON LEGISLATION TO INCREASE FEES CHARGED BY THE PATENT OFFICE

MAINTENANCE FEES

(*a*) *General comment*

We believe the reasons for establishing the maintenance fees are basically sound. Increasing existing fees to effect the desired recovery means substantial increases in the initial and issue fees. The objections of the Department of Commerce to alternative proposals for recovery by increasing the fees to be charged for printed copies of patents and for registration of trademarks beyond the cost of those operations were adequately discussed by Assistant Secretary Hollomon and Commissioner Reynolds in their statements and oral comments at the time of the hearing.

H.R. 8190 would keep the filing fee as low as possible to provide relatively inexpensive access to the Office for examination of the invention to see if it is patentable. Further detail on the effect of the proposed filing fee and attendant charges for numbers and kinds of claims is provided later.

When the patent issues, the patentee then is aware of the patentability of his discovery although its commercial acceptance may not be assured. Because of this awareness, the issue fee would be made larger than the filing fee to recover a portion of the costs. The owner has had the period of prosecution to evaluate the item and determine whether it warrants the payment of the issue fee. If there has been an assignment, the assignee bears the cost of the issue fee. If the potential value of the invention is not evident, we believe that opportunity should be provided for a postponement of the evaluation of the invention to see if additional payments are warranted. Maintenance fees would provide for this postponed evaluation.

The payment or nonpayment of maintenance fees is a decision controlled completely by the owner. This rather obvious statement is made to clear up the misunderstanding which prevails on the part of those objectors who characterize the fees as taxes on the owner. This control by the owner is also important in light of another view expressed in opposition to these fees. It is stated that a referendum indiacted that members of a certain association were "opposed to maintenance fees 732 to 202, *even if necessary to avoid larger increase in filing and final fees at $300 per patent.*" [Emphasis in original.] (APLA Bulletin, January-February 1964, p. 106.) The argument that it would be preferable to pay $300 distributed over the filing and issue fee rather than be forced later with determinations as to whether the value of the invention warrants the payment of the same sum in installments over 13 years with payments contingent on those determinations appears to miss completely the discretionary nature of the determinations. For the same reason, statements that the maintenance fees would deter filing of applications appear to reflect a misunderstanding of the timing of these fees.

The maintenance fees were also criticized as a penalty imposed on the successful applicant. It must be admitted that these fees would be paid by those

patentees who believed their patents were for one reason or another worth preserving as a monopoly and would not be paid when this determination was otherwise. The worth of the patent as determined by the owner would be the determinative factor. Use of the epithet "penalty" is an argumentative characterization of the charge on a patent which the owner believes to be worth the charges.

Table 10 at page 90 of the hearings on S. 2225, indicating the effect of fee increases on applications filed, and table 9 at page 89, giving per capita figures, are intended to show that the filing of applications in countries having maintenance fees is not materially affected by such fees. This is particularly true in Europe where a patentee seeks protection not only in his own country but also in neighboring countries to provide protection for his invention in the markets conveniently available to him. The per capita figures of table 9, including as they do applications filed by foreigners, do not provide a measure of the comparative ingenuity or inventiveness of the citizens of one country as compared with another. Much more sophisticated data is needed for this purpose. (See further the Kettering Award address by Frank A. Howard on "Patents and Technical Progress," the Patent, Trademark, and Copyright Journal of Research and Education, vol. 4, p. 57, 1960; see also vol. 6, conference number, p. 37, 1962.)

(*b*) *Administrative costs*

Concern is indicated lest the administrative cost of collecting the fees proposed by H.R. 8190 nullify the increases. As Commissioner Reynolds stated at the hearing, the total administrative costs involved in administering the entire fee schedule will be less than 1 percent of the fees recovered. In a detailed estimate of these costs prepared for this subcommittee, the costs related to the maintenance fee provisions of the bill are estimated at $35,000 per year and the total additional costs relating to the entire fee schedule, including maintenance fees, at $85,000 annually. (See hearings on S. 2225 at pp. 102 and 103.)

(*c*) *Notice of due date for maintenance fees*

During the hearing, the matter of notice of due dates for maintenance fees to prevent the lapse of patents by inadvertence received special attention.

Under H.R. 8190 notice will be given in the patent of these due dates and a notice will be sent to interested parties of record 30 days prior to the due date. During the hearings views were expressed concerning the possible need of a subsequent notice to enable an owner who might not receive such a notice to avoid lapse by inadvertence and to allow such an owner to take advantage of the 6-month grace period provided for late payment. There was further comment to the effect that there might be confusion concerning the phrase "total benefit" as a measure of the income to an inventor-owner, and that the affidavit required by H.R. 8190 might result in legal expenses substantially equaling the fee to be deferred.

In a letter to the chairman by the newly nominated Commissioner of Patents, Mr. Edward J. Brenner, the view was advanced that the subsequent notice to persons who did not reply to the advance notice would be undertaken as a good administrative practice, that both notices should consist of a return form on which intention to pay or not pay the fee would be indicated and the inventor-owner would sign a brief statement that he had or had not received a gross return from the patent equivalent to the fee due. Such a statement, filed under the penalty provisions of section 1001 of title 18, would do away with the need for the affidavit which is presently required by H.R. 8190. We would be glad to work with the staff of the committee in preparing appropriate language for this purpose.

INITIAL FILING FEES

(*a*) *General comments*

H.R. 8190 proposes a filing fee of $50 which is an increase of $20 over the present fee, and in addition, $10 for each claim in independent form which is in excess of 1, and $2 for each claim, whether independent or dependent which is in excess of 10.

There is general recognition of the fact that the inclusion of maintenance fees in the bill enables the filing fee to be kept low. Opponents of the maintenance fees recognize that this fee must be increased to effect the desired recovery in the absence of maintenance fees. Various amounts are suggested. Commissioner Reynolds, urging against deletion of maintenance fees, suggested that by simple arithmetical calculations which assume no lessening of applications, $34 would have to be added to the proposed fee of $50 to make up the recovery from

maintenance fees. Substitute filing fees suggested by those advocating deletion of maintenance fees vary from $60 to $95 with increases elsewhere to supplement this income.

Considerable discussion during the hearings was directed to the probable combined fee which would have to be paid under H.R. 8190 for access to the examination process of the Patent Office. Based on individual experiences of the witnesses, the usual combined initial fee under H.R. 8190 was estimated at as high a figure as $180.

Table 11 from the earlier hearings on S. 2225 was referred to occasionally in the discussion. This table (p. 90 of the hearings) clearly relates to the size of issued patents and is not appropriate reference material for the discussion on applications.

In 1954 massive samples of consecutive applications were studied; 9,850 from 2 months in 1951, 6,713 in 1953, and 2,500 in 1954. Subsequent samplings confirm the data from this earlier source. The conclusions of this study are that 25.4 percent of the applications contained 1 to 5 claims; 37.4 percent of the applications contained 6 to 10 claims; 5.2 percent have over 20 claims; and, 1.5 percent have over 30 claims (Journal of the Patent Office Society, November 1954).

It is on the basis of these figures, and the characteristics of patents as shown in table 8 of the House hearings on H.R. 10966, 87th Congress, with minor adjustments to reflect the expected impact of the charges in H.R. 8190 for claims, that the assumed average application of 2 claims over 10 and 2 independent claims over 1 is arrived at. On this basis, the average combined fee of $74 under H.R. 8190 for examination for patentability is calculated.

Furthermore, the fact that almost 63 percent of the applications contain 10 claims or less provides, in our opinion, an adequate basis for our view that the less complicated discovery will have access to the examination process for the minimum fee of $50 under H.R. 8190.

(*b*) *Independent versus dependent claims*

A new fee would be introduced into the schedule by H.R. 8190 charging $10 for each independent claim in excess of one.

This new fee represents an effort to bring more closely together recovery and cost of operation by reducing the latter factor. Figure 14 in the Senate hearings on S. 2225 (pp. 76 and 77) describes the differences between independent and dependent claims. Figure 13 at page 75 graphically depicts savings in time analyzing the different type claims. A formalistic objection that the innovation "in substantive patent law" proposed by this action is not appropriate in a bill directed to the increase of fees was raised during the hearing. It is our view that the motivation toward less expensive operation of the Office provided by the charges for independent claims in excess of one is an effort to direct the capabilities of the attorney or agent toward the goal of reducing costs and hence is appropriate in H.R. 8190.

A tendency of the courts to declare dependent claims invalid on a peremptory basis when the independent claim supporting them is found invalid is stressed by opponents to this measure. An opponent to H.R. 8190 presented an instance by a court in Arkansas where the dependent claim was upheld under such circumstances. A similar decision was made by the Court of Appeals of the Seventh Circuit in *Popeil* v. *Zysset* (137 U.S.P.Q. 694; 276 F 2d 354; see further 124 U.S.P.Q. 250).

Section 11 of the bill is intended to make clear that dependent claims are to be considered separately in the event the independent claim on which they depend is declared invalid. There were some views at the hearing to the effect that the psychological approach of the court to independent-dependent claims which leads to the declaration of invalidity of dependent claims is something which cannot be changed by statute. This is a view which, if accepted, would appear to lead to chaos since the implication is that the Congress may not write effective laws. There may be honest differences as to whether the language of section 11 is effective for the purpose for which it is intended. It is quite another thing, however, to say that a law to accomplish this purpose cannot be written.

We believe section 11 to be effective as written but because questions were raised regarding the effectiveness of the language of section 11 to spell out its purpose, we suggest, for consideration, two alternative amendments which may make that intent clearer.

The first would be to delete from line 3, page 11 of H.R. 8190 the words "to include" and substitute in lieu thereof the following: "as a separate claim including."

The second alternative would be to strike the quotation marks after the word "claim" in line 4 and add the following sentence: "When an independent claim is determined to be invalid, the limitations imposed on that independent claim by any dependent claim shall be considered in determining the validity of that dependent claim."

ISSUE FEES

H.R. 8190 would provide, in cases other than design, for an issue fee of $75 and, in addition, a charge of $10 for each page of specification and $2 for each sheet of drawing.

The present fee of $30 charged on issuance would be increased by $45. This increase would effect a considerable recovery of the costs of the Office and the imposition of an increase of this size is justified, as mentioned briefly above, on the basis that the owner knows at this time that the discovery is patentable and has had the opportunity afforded by the pendency of the application in the examination by the Office to give consideration to and perhaps to arrange for its commercial exploitation. If the property rights to the discovery have been assigned the assignee ordinarily bears the issue cost.

The fees to be measured by the size of the specification and number of sheets of drawing are introduced into the schedule for the first time by H.R. 8190 and in a rather rough way are a reflection of the work done by the Office on the application. The out-of-pocket costs of the Office in the printing of the specification exceed significantly the charges for this service. When the hearings were held on S. 2225 in 1962 the charge to the Office was $14.75 per page of specification. Since that time the price has risen to $17.40 so it is clear that there is no more than a partial recovery of these mechanical charges. The cost of the drawings is about $1.75 per sheet.

The same study of 1954 identified above showed, on the basis of patents issued consecutively over a period of 6 weeks during 1954, a total of 4,261, that 28 percent had 1 to 2 pages of specification and 57 percent had 1 to 3 pages. Also, that 51 percent had no more than 1 sheet of drawing. The average issued patent is calculated to have 3.6 pages of specification and 2 sheets of drawing, which would result in an issue fee under H.R. 8190 of $115.

We believe, in light of this experience, that the increased issue fees will have a minimum deterrent effect on applications for patents and the disclosure of the details of the invention.

Based on the average patent, it is clear that a fee on claims over 10 as suggested would not be particularly productive and would amount to an invitation to increase the number of claims on a statistical basis, thus increasing the work of the examiner. Based on the same figure the proposed issue fee of $120, suggested by one of the witnesses, would effect a charge of $5 over the average, discourage the 28 percent filing relatively simple descriptions of 1 to 2 pages of specification, and require a substantial subsidy for the printing of "jumbo" patents.

RECORDING ASSIGNMENTS

H.R. 8190 would increase the fee for recording assignments from the present fee of $3, plus certain attendant charges, to $20. Objection has been taken to this charge as in excess of the cost of the recording operation. The Commissioner, in commenting on this provision at the hearing, admitted that this charge more than compensated for the work done. He justified this charge on the ground that it is made against a person or corporation who is not the inventor but a transferee who has obtained the property interest as a business proposition. This is, frankly, an effort to recover a portion of costs from a beneficiary of the patent, other than the inventor, in an effort to minimize the charges against the inventor and effect the desired recovery. The fee should be regarded by the transferee as an additional cost of the patent or a cost of doing business in patents.

FREE EXAMINATION FOR PATENTABILITY OF FEDERALLY FINANCED RESEARCH

The Federal Government prosecutes more applications for patents than any other organization. In accordance with rulings of the General Accounting

Office, the Patent Office may not charge Federal agencies the scheduled fees for the examination of applications and issuance of patents.

One of the witnesses at the hearing objected to searches being conducted by the Office for Federal agencies on a no fee basis. The comment was technically untrue since searches, as the term is generally used, means searches of the prior art preliminary to the filing of an application. The Office does not make such searches for Federal agencies.

The thrust of the argument, however, is valid. The examination of federally sponsored applications for patentability is made without charge and H.R. 8190 would put an end to this practice by providing that Federal agencies shall be liable for scheduled fees as are other applicants.

The Commissioner in his statement and comments at the hearing set forth in some detail the reasons for urging enactment of such a provision including the views of the Bureau of the Budget in support of this item as "fair, desirable, and in keeping with good budgetary practice."

It should be noted that the Patent Office must transfer funds to other Federal agencies for services rendered to the Office. During fiscal 1963 approximately $4 million was spent by the Office for printing and publishing in connection with the issuance of patents and trademarks. Most of this expenditure was for services of the Government Printing Office.

EARLY ISSUANCE OF PATENTS

H.R. 8190 provides that the issue fee shall be due within 3 months after the written notice of allowance of the application is mailed to the applicant. This compares with the present law which provides for the payment of the issue fee within 6 months after notice of allowance. S. 2225, as reported by the Senate Committee on the Judiciary in 1962, provided for immediate printing of the application on allowance. The change to the present language of H.R. 8190 was made by the Committee on the Judiciary of the House of Representatives to accommodate those practitioners who asked for more time to perfect their applications for protection in foreign countries.

We believe this amendment is very important since (1) it will reduce the amount of work required on the part of the Patent Office (e.g., by reducing the magnitude of interference searches); (2) it will enable the U.S. patent to issue at an earlier date thereby expediting the disclosure of technical information to the scientific community at an earlier date; and (3) the earlier issuance will make it possible for our examiners to use more effectively such patents as references against other applications. We strongly endorse this particular provision which will enable the Office to reduce the pendency of applications before the Patent Office by 3 months.

ORAL HEARINGS ON APPEALS

The present law provides for a $25 fee on appeal from an adverse action on an application by the examiner to the Board of Appeals in the Patent Office. H.R. 8190 would increase the fee to $100 with a rebate of $50 if an oral hearing is not requested and a rebate of $75 if the appeal is withdrawn before consideration by the Board. The number of appeals pending before the Board is significant, over 6,000 at the end of fiscal 1963, and demands all the time of a number of the more experienced personnel of the Office. The increase in fees is intended to reflect more nearly the cost of the operation and to encourage submission on brief alone as a measure to cut down the work of the Board.

The chairman of the subcommittee, during the recent hearings, indicated that the monetary inducement to submit a case on brief and forgo the oral hearing gave him some concern. We have reexamined our position on this provision in the light of the concern shown by the chairman and would be glad to meet with the staff of the subcommittee to discuss the appropriateness of a modification of this particular provision.

PLANT PATENTS

Representatives of groups interested in plant patents urged against the adoption of maintenance fees because of the time it takes to test the plant involved to determine its characteristics.

We are informed that the practices of this group would not support the contention that the proposed period for evaluation of the worth of a patented discovery generally would be inappropriate for patents relating to plants.

Half of the plant patents relate to varieties of roses which may be rated as to worth in a relatively short time. Generally, all plants, including fruit trees and such other plants which are relatively slow in reaching their productive life are tested and are in the process of being tested during the pendency of the examination of the application, if not earlier. Only as a result of this testing is the applicant able to support his claim for the patent. Plant patents have only a single claim and usually have a page and a fraction of specifications so that fee provisions aimed at fostering succinct, precise applications and thus minimizing the work of the examiner in the Office are not applicable to these patents.

If the aim of three-fourths recovery is accepted as a reasonable goal for this legislation, and these representatives subscribed to this purpose at the hearing, it is difficult to see in what way they and those discoverers of plants whom they represent are in any way harmed by the use of maintenance fees. If plant patents were to be treated differently by the deletion of maintenance fees, it would appear that a noncontingent or fixed fee calculated to effect the same recovery would have to be substituted to recover the same amount. The maintenance fee will at least enable an inventor or his assignee to make some sort of evaluation by the 13th year of the potential of the plant and determine whether or not it is worthwhile to make the final payment. The substitution of a fixed fee for a contingent fee calculated to bring in the same amount of money would not, in our opinion, be of any benefit to the holders of plant patents or of any other type of patent.

CONCLUSION

In the statements and comments of Assistant Secretary Hollomon and Commissioner Reynolds before the subcommittee on H.R. 8190, and the related proposal, S. 2547, presenting the views of the Department of Commerce and in this presentation of views more specifically directed to comments of witnesses during the hearing, we have tried to make clear the consideration which has been given in H.R. 8190 to the inventor. Those fees attendant upon access to the Office for examination for patentability have been kept to a relatively low figure to avoid discouraging an inventor, at the same time keeping in mind the public interest. The major portion of the costs are postponed to allow for an evaluation of the potential of the patent to see if payment of later fees is warranted. Subject to consideration of the relatively minor amendments discussed above, we urge enactment of H.R. 8190.

We are very impressed by the comments of one witness who diagnosed the basic difficulty in the proposed legislation very deftly. He said that increases in these fees have "* * * been too long in coming. Thirty-two years have elapsed since the last fee bill * * *." We believe this sums up the problem very well. In 1932, the costs of the Patent Office were $5 million. Now, when we are trying to catch up on our recovery, the costs are $29 million for fiscal 1964. Therein lies one of the principal difficulties.

Senator McCLELLAN. All right. Commissioner Reynolds, we will be glad now to hear from you. I believe you have a prepared statement.

STATEMENT OF EDWIN L. REYNOLDS, ACTING COMMISSIONER OF PATENTS, U.S. PATENT OFFICE; ACCOMPANIED BY KENNETH F. McCLURE, OFFICE OF LEGISLATIVE PLANNING, U.S. PATENT OFFICE

Mr. REYNOLDS. That is right, Mr. Chairman.

Senator McCLELLAN. Would you be willing to insert it in the record at this point and highlight it?

Mr. REYNOLDS. Yes, sir. I would like to do that.

Senator McCLELLAN. It may be inserted in the record at this point.

(The statement referred to follows:)

STATEMENT OF EDWIN L. REYNOLDS, ACTING COMMISSIONER OF PATENTS, DEPARTMENT OF COMMERCE, WITH RESPECT TO H.R. 8190

Mr. Chairman, I appear to present views of the Department of Commerce in detail with respect to H.R. 8190, an act of the House of Representatives to fix the fees payable to the U.S. Patent Office in the Department of Commerce.

This bill, except for differences which are minor and not the subject of any controversy, is the same as S. 2225, a bill which was reported favorably by the Committee on the Judiciary of the Senate on September 27, 1962.

On September 4, 1962, the Commissioner of Patents, David L. Ladd, appeared before this subcommittee urging enactment of S. 2225. The Commissioner made an extensive and detailed presentation with exhibits and charts which are set forth in detail in the printed record of the hearings. The representations then made with respect to the need for an increase in the fees charged by the Office are as valid now as they were then. Rather than burden this record with those exhibits and data which are available I shall, on occasion, refer to that material for your recollection.

The appropriation for the Patent Office for fiscal 1964 is $29,250,000. The cost of operations during fiscal 1963 was $26,912,687, with an income from Office charges of $8,393,342. There was a recovery in fiscal 1963 of slightly less than one-third of the cost of the operation. When the fees were last raised in 1932, the operating costs of the Office and the fees recovered were approximately $5 million.

There has been no significant increase in fees charged by the Patent Office since 1932 when the Office was practically self-supporting. The chart at page 63 of the Senate hearing providing information back to 1910 shows clearly that the Office was practically self-supporting during the period 1910–41. The Congress in 1951 directed that activities such as the grant of patents and the registration of trademarks should be self-supporting, taking into consideration the value of the service to the recipient, public policy, and the interest served (5 U.S.C. 140).

Earlier, an attempt was made to seek recovery of all costs but the argument was advanced, despite complete recovery in the past, that the public interest in the promotion of the sciences and the useful arts was such as to warrant a contribution by the general taxpayer to the operation of the Patent Office. For this reason, the goal was set at 75 percent recovery rather than 100 percent.

In view of the favorable action by this committee on S. 2225 in 1962, we shall assume that the question of the need for an increase of fees in an amount which will result in a recovery of approximately three-fourths of the cost of the Office has received strong support. However, the more important questions to be decided have to do with the specific manner in which the fees should be increased in order to achieve the desired cost recovery, and at the same time not deter invention.

There are two fees which are presently charged which might be increased to bring in the desired income. These are the filing fee and the issue fee. The filing fee should be kept as low as possible, in our opinion, to allow the inventor access to the services of the Office. He wants to know if his discovery is patentable. If the filing fee is too high, he may not have an examination of his discovery. High filing fees have an adverse effect on accomplishment of the directive of the Constitution in this field—the promotion of the progress of science. The final fee is to a more limited extent subject to this same criticism. Although the inventor is assured, by notification that the application may issue, that he has made a discovery, something new in the art, he may not yet know whether it is an innovation which will find public acceptance. The inventor is farther along the road to exploitation of his discovery, however, and therefore willing to pay a reasonable fee for this advance.

To achieve our aim of more recovery of costs and keep the initial fee at a reasonable level, it was necessary to propose a fee which is new to this country—the so-called maintenance fee. All major countries except Canada and the United States have these fees. Charges are highest in Germany, amounting to over $2,400. Attention is invited to the table on page 98 of the Senate hearings and to "Study No. 17" of this subcommittee for details on such charges by other countries. Initially, the fee proposed was on a $100, $300, and $500 basis due at the 5th, 9th, and 13th years, respectively. This was modified by the Senate committee in its action on S. 2225 in 1962 to the present amounts of $50, $100, and $150 due at the same years. At the same time, to offset the loss

from this reduction, the filing fee was raised from the proposed $40 to $50, and the issue fee from the proposed $50 to $75.

The suggestion has been made that maintenance fees be dropped and the initial filing fee be increased to make up this income. If this were done, $34 would have to be added to the present proposed increase of $20. Thus the fee would be raised from $30 to $84. This rough calculation is based on the receipt of 84,600 patent applications (fiscal 1963) and the estimated income of $2.877 million from maintenance fees (H. Rept. No. 949). This additional fee could be divided between the initial and issue fee but such an arrangement must take into account the smaller number of patents which are issued (54,000 in fiscal 1963). Consideration of the increase of final fees should include the fact that the present final fee of $30 would be increased by H.R. 8190 to $75 plus the printing charges.

The consistent approach which we have taken to these increases has been to search for those increases which would not deter the inventor and which would have the maximum impact upon the patents which have proved successful in some way, and upon the persons or organizations which have received special financial benefits from the activities of the Patent Office.

This concern has led to establishment of a right in the individual inventor to postpone payment of the maintenance fees to the 13th year of the 17-year grant when the income from the patent does not equal the fees, it has also led to the increase in recording fees to bring in about $1.6 million instead of the present $191,000. This fee is a step in the exploitation of the invention which has found a measure of acceptance. This concern has led to the measurement of a part of the issue fee by the size of the patent. Ten dollars a page would be charged for the description or specification of the discovery, which incidentally costs the Office about $15 out of pocket for printing. These charges for printing the lengthy and complicated descriptions and numerous and complicated claims will not fall on the independent inventor nearly as often as on the employer of the inventor or assignee where the burden may be met more easily. There will also be the desirable side effect of encouraging all applicants to be more succinct, thus assisting in the examination of the application and contributing to the clarity of the patent.

H.R. 8190 would make a special charge for independent claims in excess of one. This provision is intended to establish a charge which reflects the examination services which must be given to an application by the Office. Independent claims require more time and attention of the examiner. A table of the average size of patents in the United States, Great Britain, and Germany is set out in the Senate hearings (p. 90). It demonstrates that protection may be obtained wihout prolixity. The proposed fees would charge the applicant with the more complex claims requiring lengthy examination for the time spent on his application rather than averaging out the charge so that it would be borne in part by the simpler more direct claimant. Figures 13 and 14, at pages 75 and 76, set forth graphically the differences in time spent by the examiner on independent and dependent claims, and illustrate the different forms which these claims may take.

The present law has a relatively minor deterrent to prolixity in the charge of $1 for each claim in excess of 20. In light of the demands on an already overburdened Patent Office and the practice of other countries in providing protection for invention, we urge that this effort to make the charge reflect the work done on a particular application be maintained in the fee bill. We estimate that approximately $1.6 million would be provided by this charge. If it is to be deleted, we believe that the initial fee would be the appropriate fee to increase to make up the loss from the deletion. Based on receipt of 84,600 applications, this would require an additional $20 for the filing fee. This with the proposed increase of $20 would bring the initial fee to $70 which would, in our opinion, have a deterrent effect on the small inventor seeking an examination of his invention to see if it is patentable.

A suggestion has been made that the right to postponement of maintenance fees should be given to assignees as well as the inventors. One must remember that the purpose of the fees is to obtain funds, and that an assignee is one who has taken the patent as a business proposition with knowledge of the cost of maintaining a patent. He is also more objective than the inventor in evaluating the potential of the discovery. We urge against broadening this right to postpone the fees as being inconsistent with our approach to charge fees.

If maintenance fees are not paid the patent lapses as though the 17-year term of the grant has expired. Such an early termination would mean that the discoveries claimed in the lapsed patents would enter the public domain. Infringement suits could not be pursued against persons who made, used, or sold the claimed invention after the lapse. The public would be free to make, use, or sell it. A prospective manufacturer would, of course, benefit from the early lapse since the lapsed patent would describe innovations which he would be free to exploit. Contrary to views expressed during the debate on the measure in the House, such an early lapse would not benefit the examination process of the Patent Office. The lapsed patent must be considered in a novelty search as part of the prior art.

During the floor action by the House of Representatives the instance was described of a corporation owning some 382 plant patents. The impact of maintenance fees on this corporation was determined by multiplying 382 by the $50 fee due at 5 years, by the $100 fee due at the 9th year, and by the $150 fee due at the 13th year. First, it should be made clear that H.R. 8190 is not retroactive in its effect. Maintenance fees will not be charged on patents issued prior to the effective date of the proposal. Secondly, it would appear that corporate officials would decide on whether to pay the fees by distinguishing between those patents which are income producers and those which are not. Those producing income come clearly in that class of patents which have provided a special benefit to the holder. This is the "value to the recipient" which the Congress had in mind when it enacted 5 U.S.C. 140, asking the executive branch to assess charges for activities producing such value. To the extent the patent is not a producer, there should be an evaluation of this item by the owner. If its potential is slim, it should be allowed to lapse, thus enlarging the items in the public domain and saving the maintenance fees.

We have inquired among businessmen who have experience in such evaluations with respect to European patents where the charges are much greater than here proposed. Admittedly it is difficult to evaluate the potential income from a patent which is presently not producing. In light of the amount of the charges here proposed, which over the full term of the patent amount to less than $18 per year, the question of whether to pay the fees on a number of potentially valuable patents becomes less difficult because the success of a single patent will make up for the fees on those which do not become producers.

During floor action on the bill, concern was also expressed regarding the administrative costs of the maintenance fees. Questions were raised concerning how much must be spent to do those things which are needed to carry out the new fees? What is the cost of giving proper notice to the holder of the patent of the time and amount of fees due? The Patent Office, as reported at pages 102 and 103 of the Senate hearings, has studied this matter and is of the view that individual notices as would be required by the bill as amended by the Senate committee in 1962, would cost approximately $35,000 per year. The entire additional costs attendant upon the changes in fee structure proposed by H.R. 8190 would amount to approximately $85,000, substantially less than 1 percent of the additional income we expect to be realized.

The estimated income to be realized by maintenance fees has been stated at different levels during the discussion leading to passage of the bill by the House. The chairman of the subcommittee managing the bill during the floor discussion used the figures in the House report on the bill as did other members of the committee. On this basis, maintenance fees were estimated to bring in approximatly $2.877 million when fully effective and on a 1962 basis. Several other Representatives, however, based their comments on charts from the hearings which were directed to the version of the bill which set the maintenance fees at twice that of the present bill or twice that of S. 2225 as reported by this committee in 1962.

Suggestions have been made that a considerable increase in income may be obtained by doubling the price charged for copies of specifications and claims from the present charge of 25 to 50 cents. The charge for copies of the patents should, in our opinion, be kept to the absolute minimum. Presently, this operation is practically self-supporting. The dissemination to the public of the description of the discovery and the claims is the end product of the patent system. It is this dissemination which provides the consideration which the public gets in exchange for the monopoly of 17 years granted the inventor. We believe that this charge should be the very last to increase in our search for

additional income. In the best of possible worlds, this information should be distributed free of charge. Certainly every effort should be made to keep the charge to a minimum.

A provision is included in H.R. 8190 to apply the fee schedule to other Federal agencies. In a letter dated September 7, 1962, to the chairman of this subcommittee, the Assistant Director for Legislative Reference of the Bureau of the Budget advised that this provision is considered to be "fair, desirable, and in keeping with good budgetary practice." It was further stated that:

"It is a principal concern of the Bureau of the Budget that the costs of services that are provided by Federal agencies will be determined and collected in all cases where a special benefit accrues to an identifiable recipient. We are similarly concerned that services which are provided for Federal agencies as a result of their requests will be shown as actual costs of the operation of those agencies. It is our belief that the budget requests of the individual agencies, as presented to the Congress in the Executive budget, should in fact present the complete picture of the fiscal plan of that agency.

"Since one of the major efforts represented by S. 2225 is to provide the Patent Office with a sounder and more rational fiscal structure, it seems consistent that Federal agencies should pay for services rendered and the Patent Office should not be required to finance services provided to other Federal agencies."

Certainly, the Patent Office is not excused from making payments to other Federal agencies for work performed. The Office pays the Government Printing Office approximately $4 million per year for services. Costs which must be met from an agency's budget are treated more respectfully. The Commissioner in his earlier testimony referred to a request for 7,882 copies of patents with a sales value of about $2,000 and which required 2 man-weeks to fill. In this case the Office was advised after getting the material together that the copies were not wanted after all.

Finally, in its annual presentation before the Appropriations Subcommittee, the Office presents statements of income versus operating costs and the true picture is not given when the U.S. Government which is the largest user of the Patent Office does not pay for services rendered.

We believe the bill H.R. 8190, as passed by the House of Representatives on January 22, incorporating as it does the changes made by this committee in the earlier proposal to increase fees, is a reasonable approach to the need for increased fees and we urge its approval by this committee and its enactment by the Senate.

Mr. REYNOLDS. I shall be as brief as I can, but there have been a number of specific provisions questioned here and I think we should state our view on them.

Senator McCLELLAN. Go right ahead. You are not restricted, but probably if we took all the time to read this statement, it would add that much more to the time. We are not denying anybody the right to full expression. We invite that, in fact.

Mr. REYNOLDS. I do not think it necessary to say anything more as to the desirability of recovering the total amount that is proposed to be recovered by this bill. Both the House, in passing this bill, and this committee, in connection with S. 2225, indicated that 75 percent would be a reasonable recovery.

Senator McCLELLAN. May I say, just speaking for one member of the committee, I think there ought to be more recovery than there is at the present time. I am not saying that we should try necessarily to recover 100 percent. The public has an interest in this, too, it may be quite proper for the Treasury, from the general funds and revenues, to bear some part.

But I do not feel that 30 percent recovery is adequate or equitable, and I think there should be a greater recovery.

That is just one man's opinion as of now. If somebody could show me I am wrong, why, I shall change my mind.

Mr. REYNOLDS. It has also been brought out by Dr. Hollomon that the actual recovery will be nearer 65 percent than 75 percent. I shall not labor that point.

So essentially, the problem is how this recovery is to be effected and how the fees are to be distributed. I think it would be helpful in that connection if anyone who is proposing to eliminate a fee or to reduce it should indicate where, in his opinion, that money should be recovered somewhere else.

You cannot lower one without a corresponding increase somewhere else and we would like to have their views on what would be the best place to put it.

This particular arrangement of fees is based on, really, three separate considerations. First, we think that the filing fee should be kept as low as reasonably possible in order to encourage people to file their applications, bring their inventions to the Patent Office, and receive an evaluation of them. About 40 percent of the applicants do not receive their patents at all——

Senator MCCLELLAN. Do not receive a patent?

Mr. REYNOLDS. That is right. About 60 percent result in patents.

Senator MCCLELLAN. Is that because what they submit is not patentable?

Mr. REYNOLDS. Yes, sir; generally. Sometimes they just lose interest in it, but normally it is because it is not patentable.

Senator MCCLELLAN. They do have to pay an initial fee along with the application?

Mr. REYNOLDS. That is right.

Senator MCCLELLAN. Let me ask you, is the initial fee paid adequate to cover the cost that would be involved in examining and determining that it is not patentable, or in processing it as far as it goes up to the time they abandon it—are the fees up to that point adequate to support the cost?

Mr. REYNOLDS. No; they are not. Part of that burden goes on to the issue fee after the patent is allowed.

Senator MCCLELLAN. Now, of course, it is said we do not want to discourage invention. We do not want to put a burden there, make a fee such as would be an obstacle or hindrance to people that would discourage them from trying to invent or secure patents. We do not want to do that. But what is the fee now filed up to that point? What does it cost an individual.

Suppose I thought I had something that was patentable.

Mr. REYNOLDS. $30.

Senator MCCLELLAN. That is the only cost up to now?

Mr. REYNOLDS. With $1 for each claim in excess of 20 in the application. There are very few of those.

Senator MCCLELLAN. Well, about $50 is about all it would cost at most, up to that point?

Mr. REYNOLDS. It costs now just about $30 to file the application; yes, sir.

Senator MCCLELLAN. Well, in other words, if one files an application and you make an examination and determine it is not patentable and so advise him, is that all he is out?

Mr. REYNOLDS. That is right; as far as we are concerned. He is out of attorney's fees, of course, but as far as the Office is concerned——

Senator McCLELLAN. Well, attorneys' fees, we are not legislating about that.

Off the record.

(Discussion off the record.)

Senator McCLELLAN. I was just trying to see if the fees now—certainly that small a fee should not discourage anyone if they think they have something. They will want to file at least to protect themselves until it proves out.

How much do we propose to raise that now, in this bill?

Mr. REYNOLDS. It would be raised to $50, plus an additional charge of $10 for each independent claim above 1, and $2 for each claim above 10.

Senator McCLELLAN. What, percentagewise, would that pay of the cost of processing it up to that point? In other words, that would recover how much of the cost that would be involved in processing up to that point?

Mr. REYNOLDS. It would take a little figuring, Mr. Chairman.

Senator McCLELLAN. Well, you can supply it for the record. After all, it is an estimate, but we have to operate on estimates where we do not have the concrete answer. Just give us the best estimate for the record at your convenience.

Mr. REYNOLDS. I think, just off the cuff, we would say around 25 percent of the total cost.

Senator McCLELLAN. Is that all that would be recovered?

Mr. REYNOLDS. Yes, sir. (This figure was later confirmed.)

Senator McCLELLAN. In other words, even after you increase it, up to that point the Government would still be paying 75 percent of the cost up to that point?

Mr. REYNOLDS. Approximately. That is subject to verification, but that is our best estimate.

Senator McCLELLAN. At least we can say without any question more than half of it? It would bear more than half the burden up to there?

Mr. REYNOLDS. Yes, sir.

Senator McCLELLAN. Very well.

Mr. REYNOLDS. So our first consideration has been to try to keep this filing fee as low as possible. A second consideration has been to try to apportion the charge for service to the expense that the Patent Office incurs in providing the service, and the third consideration has been in trying to apportion the cost of the service to the value that the service has to the person who gets it. That is what the maintenance fees are based on. This bill represents a compromise among those three factors as we see it.

Now, taking up, then, the filing fee, which is the first one to be paid, this bill would require a $50 filing fee as opposed to the present fee of $30, and it would also provide for $10 extra for each independent claim in excess of $1 and $2 extra for each claim in any form in excess of 10.

The object of this differential is to place more of the burden on the people who present the most independent claims, because it requires much more work to examine an independent claim than a dependent one. So this is in accordance with the principle of appor-

tioning the charge to the amount of work required by the Patent Office.

There is also the factor that in general, the cases with the most independent claims are the most elaborate and technical cases anyway, so that this also contributes to causing them to be more expensive to be examined.

So we feel that this is a reasonable charge. If it were abolished, and if we charged the same fee in every case, then it would probably have to go as high as $70 at least for the first filing fee, which we think would be excessive. This arrangement permits a man with a simple case, if he makes only the one independent claim and nine dependent claims, to get an examination with a $50 fee, which he would not be able to do if we raised the flat fee to $70 or $75.

Some fear has been expressed that the dependent claims would be risky in the courts, that the court, if it found the independent claim to be invalid, might throw out the dependent claims with it. But I think there is a specific provision in this bill that avoids that. The very last sentence in this bill is as follows:

> A claim may be written in independent or dependent form, and if in dependent form, it shall be construed to include all the limitations of the claim incorporated by reference into the dependent claim.

In other words, the dependent claim is read exactly as if the substance of the independent claim were written right in it and would have the same effect as if it were written in the form of an independent claim, but it would be much easier for the Patent Office, because it would see at a glance what the claim is.

We think that this is of great benefit to the examining operation because it encourages the use of dependent claims and we feel that we could examine cases much more quickly if everyone put most of the claims in dependent form.

On page 75 of the record in S. 2225, there is a chart showing the comparative time spent in examining dependent and independent claims, which shows very substantial advantage in favor of the dependent claims.

Senator McClellan. I shall not place that chart back in this record because I have made the other hearings a part of the record by reference and there is no use to duplicate it. If you will point out and identify where these things appear in the other record, that will be helpful, and that is all that is necessary, since we have the other record already before us.

Mr. Reynolds. Yes, sir.

Now, there are two relatively minor provisions I want to refer to. One is that the fee for recording assignments is raised in this bill from about $3 to $20. This is for recording assignments in the Patent Office, recording assignments of applications or patents. Now, that admittedly is substantially more than the work involved in recording. This fee is based on the theory of the benefit that it gives to the person who gets the service.

In other words, assignees of patents and applications are people who are seeking the benefit of the patent system without having made any inventor contribution to it. They want to capitalize on an invention that has been made by somebody else. That is perfectly all right, but——

Senator McCLELLAN. The transferee, is he the one who becomes liable for the transfer fee?

Mr. REYNOLDS. Yes, sir.

Senator McCLELLAN. Not the patent owner, but the transferee must pay the fee?

Mr. REYNOLDS. That is right.

Senator McCLELLAN. He is actually buying something. In other words, if it is not worth $20, he ought not to fool with it.

Mr. REYNOLDS. That is our theory exactly; yes, sir.

Senator McCLELLAN. At that point, I think we ought to say, does that $20 cover the cost of such transfer, all of it?

Mr. REYNOLDS. It more than covers our expense in recording it.

Senator McCLELLAN. It will more than cover your expense?

Mr. REYNOLDS. Yes; substantially more.

Senator McCLELLAN. That is still in the patent field. That is not the trademark field?

Mr. REYNOLDS. That is right.

Senator McCLELLAN. And in that particular instance, you charge more than the cost to make up in some measure for other areas where you charge less than the cost?

Mr. REYNOLDS. That is it exactly and it is an attempt to recover the money from the person who benefits by the transaction.

I think it is worth noting that about 70 percent of all patents issued are assigned anyway.

Senator McCLELLAN. Ultimately assigned?

Mr. REYNOLDS. Yes, sir; so if you tried to recover this somewhere else, you would get it largely from these people, anyway.

Senator McCLELLAN. Where they are assigned, that indicates possibly the rights have been sold?

Mr. REYNOLDS. That is exactly what it means.

Senator McCLELLAN. So whoever purchased the rights, he is just adding a $20 bill to that as part of the cost.

Mr. REYNOLDS. That is it exactly, Senator.

Another provision here is that other Government agencies would be required to reimburse the Patent Office for services which are rendered to them by the Patent Office.

Senator McCLELLAN. They do not do that now?

Mr. REYNOLDS. No, sir; they do not, unfortunately.

Senator McCLELLAN. Most everybody else gets reimbursed.

Mr. REYNOLDS. That is what we feel.

Senator McCLELLAN. How did you lose out on it?

Mr. REYNOLDS. I would like to read here what the Budget Bureau had to say about that. This is in the former record.

Senator McCLELLAN. In the House record or our record?

Mr. REYNOLDS. In the Senate hearings on S. 2225:

> It is a principal concern of the Bureau of the Budget that the costs of services that are provided by Federal agencies will be determined and collected in all cases where a special benefit accrues to an identifiable recipient. We are similarly concerned that services which are provided for Federal agencies as a result of their request will be shown as actual costs of the operation of those agencies. It is our belief that the budget requests of the individual agencies, as presented to the Congress in the executive budget, should in fact present the complete picture of the fiscal plan of that agency.

Since one of the major efforts represented by S. 2225 is to provide the Patent Office with a sounder and more rational fiscal structure, it seems consistent that Federal agencies should pay for services rendered and the Patent Office should not be required to finance services provided to other Federal agencies.

Senator McCLELLAN. In other words, that process of having agencies reimburse other agencies, and so forth, for actual costs makes it more accurate, the determination of the cost of operating a particular agency?

Mr. REYNOLDS. Yes sir. That statement is found on page 9 of the hearings on S. 2225.

I might note that the Patent Office pays about $4 million now to the Government Printing Office for the printing of patents, so it is a one-way street as of now. We pay everyone for what we get and we do not get anything for what we provide to others.

Senator McCLELLAN. If you get something from another agency, you have to pay that agency?

Mr. REYNOLDS. That is right.

Senator McCLELLAN. Whereas if another agency calls on you for service, you render it and the cost of that service is charged to the Patent Office and not to the other agency?

Mr. REYNOLDS. That is right. And we believe that when another agency gets services for which it does not have to pay, it will be much more prodigal in asking for them. If you are paying for what you get——

Senator McCLELLAN. In other words, it will ask more generously.

Mr. REYNOLDS. One agency asked for $2,000 of patents and before we delivered them, they did not want them. I think that would not have happened if they had been paying for them.

Senator McCLELLAN. You think if they had been paying for them they would not have asked?

Mr. REYNOLDS. That is our understanding, yes.

One proposal we are not making here is to increase the cost of copies of patents we provide. I think Dr. Hollomon has said all that needs to be said about that. I think that could be kept down in order to disseminate the information.

That brings us into the maintenance fees, which I think are the principal bone of contention here. Those fees, as provided by this bill, would be $50 5 years after the patent issues, another hundred dollars 9 years after it issues, and another $150 13 years after it issues—a total of $300, in other words, to maintain the patent for 17 years, with a proviso that if the inventor retains title to it, the first two fees may be deferred if he has not made a recovery from the patent equal to those fees.

Senator McCLELLAN. That will give him the patent for how many years?

Mr. REYNOLDS. Thirteen years.

Senator McCLELLAN. He would have the patent without any fee for 13 years unless some profit were provided?

Mr. REYNOLDS. That is correct.

Senator McCLELLAN. To what extent must he profit?

Mr. REYNOLDS. Just the amount of the fees that are due.

Senator McCLELLAN. In other words, if he had received $150 worth of revenue from his patent, or income from it in any way, at the end of 13 years he would owe that $150? Or at the end of what time?

Mr. REYNOLDS. At the end of 9 years.

Senator MCCLELLAN. He would have to pay that $150 he had gotten for a maintenance fee in order to preserve his rights?

Mr. REYNOLDS. That is right.

Senator MCCLELLAN. If he had not made that, he would pay nothing?

Mr. REYNOLDS. That is right; so he could get a patent for 13 years with no additional fee——

Senator MCCLELLAN. At that point, let us get it clear. Suppose he had received nothing up to the 9 years, therefore he would owe nothing at that time. It would go on to the 13th year. Now, at the end of 13 years, he has received some revenues and he wants to extend his patent. Does he only pay $150, or does he have to pick up the whole $300?

Mr. REYNOLDS. He would have to pay the $300. If he wants it beyond 13 years, he has to pay $300 under any circumstances.

Senator MCCLELLAN. Very well.

Mr. REYNOLDS. Now, the obvious advantages of this system, the first one is that it puts the expense, to a greater extent, on the people who are benefiting from the system, because obviously the people who are going to pay these fees are the ones who have made or who feel they are likely to make a substantial recovery from the patent.

Senator MCCLELLAN. What percentage of the patents, say, by the first maintenance period—what is that—5 years?

Mr. REYNOLDS. Five years; yes, sir.

Senator MCCLELLAN. What percentage of the patents have been assigned by that time?

Mr. REYNOLDS. About 70 percent.

Senator MCCLELLAN. By the end of 5 years, about 70 percent has been assigned?

Mr. REYNOLDS. That continues all the way through. They are assigned normally at the time they are issued or before.

Senator MCCLELLAN. In other words, the assignment usually takes place early—in other words, somebody is speculating or has made an investment in the patent.

Mr. REYNOLDS. That is right.

Senator MCCLELLAN. You are saying that if, notwithstanding that they have made an investment in it, if it does not produce some revenues, you pay nothing at the end of 5 years, nothing at the end of 9 years. When you get to the 13th year, whether it has produced any revenue or not, you have to pay $300 to carry it on to 17 years.

Mr. REYNOLDS. That is if an inventor owns it. But an assignee has to pay those fees or the patent will lapse.

Senator MCCLELLAN. That is if the inventor owns them, but the assignee has to pay all of those——

Mr. REYNOLDS. That is right; to keep it in force. If he does not pay it, the patent lapses.

Senator MCCLELLAN. I understand. To keep the patent, the assignee has to pay these fees?

Mr. REYNOLDS. That is right. If he gets a patent and after 5 years of attempting to exploit it, he decides it is no good, he can drop it right there, the assignee.

So in effect, this puts the burden on the people who are getting the benefit. It also has an incidental benefit in that it removes from the

records those patents which are of no value and are not being kept up. In other words, when a patent lapses for nonpayment of fee, anyone who is interested in that matter does not have to consider that as a question of infringement. So the industry does benefit substantially from that.

There were statements made on the floor of the House which suggested that that would be of benefit to the Patent Office to have these patents lapse, because the Patent Office then would not have to consider them in making novelty searches. That is not the case. We have to consider all patents whether they are expired or unexpired. So the Patent Office does not benefit from that, but the industry as a whole definitely does. So the only misunderstanding was as to who benefited rather than as to whether there was a benefit.

Now, something has been said about these fees in foreign countries. I want to go into a little more detail on that, because these fees are not a novelty. They have been in effect in substantially all industrial countries that have patent systems except Canada. They have normally been substantially more, and the record shows that despite these maintenance fees, a great many more applications per capita are filed in these foreign countries than are filed in the United States, notwithstanding the fact that most——

Senator McClellan. Does that indicate possibly there the inventive genius exceeds ours or transcends ours? Or they are just more active?

Mr. Reynolds. It might, although I think generally Americans are considered to be at least as inventive as anybody else.

Senator McClellan. That is what I thought. It is hard to reconcile this.

Mr. Reynolds. I am not suggesting they get all those applications because they have maintenance fees, but I do suggest it shows pretty clearly the maintenance fees do not discourage them very much or they would not have that many applications.

Senator McClellan. In other words, the statistics you are citing refute the charge or asumption that if you have a maintenance fee, you discourage inventive motivation.

Mr. Reynolds. That is it exactly. It shows that where these fees have actually been used, they have not had that effect, there is no reason to suppose they will have a different effect here. I think those actual statistics are of more value than speculation here as to what may happen.

Senator McClellan. For the benefit of those who expect to testify adversely to your point of view, I may say I think the committee will be very interested now if you have anything to offset or refute this factual, presumably factual statement being made here. You had better dig it up, because this is going to have some influence, likely.

Mr. Reynolds. The statement of those foreign fees is found on page 98 of the hearing record on S. 2225. I want to refer particularly to Germany, in which the maintenance fees for maintaining the patent throughout its term amount to more than $2,400, yet Germany has more than twice as many applications per capita as the United States.

Senator McClellan. And what is the status of their economy? I mean, the standard of living and so forth, it is still not nearly as high as ours. So it is still a greater burden, possibly, on the applicant

over there or the patentee to pay $2,400 than it would be on someone here, normally, to pay that?

Mr. REYNOLDS. Well, I just do not know. I would assume that is right, but I am not an authority on it.

Senator MCCLELLAN. Well, it would not be any less?

Mr. REYNOLDS. I would not think so.

Senator MCCLELLAN. It certainly would not be less of a burden.

Mr. REYNOLDS. Now, singularly enough, as Dr. Hollomon suggested, a large number of Americans filed applications in Germany. In 1962, there were more than 9,000 German applications filed by Americans.

Senator MCCLELLAN. You mean American citizens filed applications in Germany?

Mr. REYNOLDS. Yes, sir.

Senator MCCLELLAN. They were subjected to the fees you speak of that are applicable over there?

Mr. REYNOLDS. Yes, sir; Americans who are supposedly going to be frightened by the $300 fee here filed in large numbers in the face of this $2,400 fee in Germany.

Senator MCCLELLAN. I expect if the American citizen had to pay $2,400 in Germany, what would he have to pay here for the same patent?

Mr. REYNOLDS. $300 under this bill. He pays nothing now, of course.

Senator MCCLELLAN. He would still have to pay eight times as much in Germany as he pays here under this bill?

Mr. REYNOLDS. That is right. That is it exactly. As Dr. Hollomon brought out, there are just about one-eighth as many applications filed in Germany as in the United States.

Senator MCCLELLAN. One-eighth filed over there and it costs eight times as much over there?

Mr. REYNOLDS. That is right; so if all patents were maintained to the limit here and there, we find Americans paying as much maintenance fee in Germany for some 9,000 applications as they pay here for 70,000.

Senator MCCLELLAN. You keep citing Germany. That is quite an appropriate comparison, I am sure. But can you cite any other country comparatively?

Mr. REYNOLDS. Great Britain has maintenance fees totaling about $450 and about 10,000 applications were filed there in 1962 by Americans.

Senator MCCLELLAN. What do we have in France?

Mr. REYNOLDS. I do not have the figures here, I am sorry.

Senator MCCLELLAN. Do you have them for any other country than Britian or Germany?

Mr. REYNOLDS. No, sir; we do not. I shall be glad to provide them for you.

Senator MCCLELLAN. If you have them for two or three other countries——

Mr. REYNOLDS. If we can get them. I think more are filed in those two countries than any others.

Senator MCCLELLAN. Well, that is probably true, but I do not want somebody to say we picked out one instance that is more favorable.

Mr. REYNOLDS. Frankly, we did pick Germany on that basis, because it shows the extreme.

Senator McCLELLAN. I think you ought to pick one that is the most favorable. But you ought to show some that are not quite so favorable if they exist.

Mr. REYNOLDS. We shall be glad to provide you with anything we have, Senator.

(The following information was subsequently supplied:)

Patent applications filed by Americans in countries having maintenance fees (including all such countries for which data for recent 3 years could be found)

Country	1960	1961	1962	Total	Percent [1]
Austria	763	890	921	2,574	8.6
Denmark	725	947	1,116	2,788	17.3
France [2]	6,797	5,800	6,817	19,414	18.6
Germany	7,322	8,073	9,242	24,637	14.1
Great Britain	8,532	9,574	10,602	27,708	25.1
Japan	5,437	6,519	7,782	19,738	13.0
Netherlands	2,608	3,070	3,636	9,314	23.1
Norway	627	749	912	2,288	18.1
Switzerland	1,838	2,137	2,547	6,522	14.4

[1] This column gives the percentage of applications coming from Americans to the total applications filed during the period.
[2] Figures for France are for patents; these would be nearly the same as for applications.

Mr. REYNOLDS. Now, I want to refer briefly, then, to objections that have been raised to the maintenance fees. The first one is that it is possible that the patent will lapse because the patentee will overlook the fact that the fee is due. I think the complete answer to that is that the bill now provides that the Patent Office shall give notice within 30 days of these dates that the fee becomes due and if that notice is not given——

Senator McCLELLAN. Only 30 days. A fellow might be away on a vacation. Is that enough time?

Mr. REYNOLDS. There is a grace period that provides this can be paid up to 6 months late.

Senator McCLELLAN. There is a grace period up to 6 months, but notice must be given 30 days before it is due?

Mr. REYNOLDS. That is right.

Senator McCLELLAN. Does the bill provide that after it tentatively lapses subject to the grace period, is any other notice required to be given by the Patent Office that it is delinquent and at a certain time it will expire?

Mr. REYNOLDS. No; except that the date will be printed on the patent, also.

Senator McCLELLAN. But you will give notice that it does expire on a certain date?

Mr. REYNOLDS. That is right.

Senator McCLELLAN. Now, it might be well, just throwing this out as a thought, to provide that within 30 days after that time expires, they be given notice and their specific attention called to the grace period, and if not paid by that time, it automatically lapses. It would put a little more burden on him, but not too much. I assume there is no way for the fellow, if he lets the grace period expire, to get it back? It is gone?

Mr. REYNOLDS. That is right.

Senator McClellan. So I think to meet those extraordinary situations where a fellow might have some justification or excuse because of illness or because of some other reason, maybe, at the time, that he ought to be notified again after it has tentatively expired, warning him of the grace period, and so forth.

Mr. Reynolds. We would have no objection to such a provision.

Senator McClellan. Prepare for the committee for our consideration an amendment that would do that.

Mr. Reynolds. Yes, sir; we will do that, sir.

(Subsequently the following was submitted:)

Insert the word "advance" before the words "notice" in lines 19 and 24 of page 7 and add to the subsection (e) page 7 in line 24 the following sentence: "A second notice shall be sent approximately sixty days after the maintenance fee is due to those parties who have not indicated their intentions regarding payment of a maintenance fee."

Senator McClellan. I think that is appropriate for the bill.

Mr. Reynolds. Another objection that has been offered is that the expenses of collecting these fees might be such that it would not pay to do it. Actually, our study indicates——

Senator McClellan. Well, we had better abandon all of them, if that's the case.

Mr. Reynolds. Well, our study indicates that it would not cost more than about 2 percent of the fees, even giving these notices.

Senator McClellan. What does it cost——

Mr. Reynolds. Less than 1 percent, I understand, of the total value of the fees recovered. So the expense is negligible compared with the fees.

Now, it has also been suggested that about a $35 increase in the filing fee would be equivalent to this $300 total maintenance fee. That is true, but the reason it is true is that the filing fee is paid by everyone where the maintenance fee, the $300 maintenance fee will be paid by only about one-sixth of the patentees.

Senator McClellan. Why do you estimate that?

Mr. Reynolds. On the basis of what has happened in foreign countries that have similar fees.

Senator McClellan. Because in the period of time, they might find the patent is no good, or it does not have a marketable value?

Mr. Reynolds. Yes, sir; the general supposition is that half of them will pay the first fee of about $50; about 25 percent of them will pay the second fee, and about 15 percent will pay the last fee. That is as near as we can compare it with the foreign situation.

Senator McClellan. If you raise the initial fee, the application fee, is that the place to raise these revenues? Would that tend to discourage applications more so than the maintenance fee?

Mr. Reynolds. That is our position exactly; yes, sir.

Senator McClellan. That is your position, that is your opinion, that is your best judgment?

Mr. Reynolds. Definitely.

Senator McClellan. Have we any way to actually determine which is the best way, determine beyond any doubt?

Mr. Reynolds. No; not without trying it.

Senator McClellan. Some patent attorney long experienced in the practice of patent law might very well hold a different opinion— I am assuming.

Mr. REYNOLDS. That is possible, but it would only be an opinion, because we have never had maintenance fees here and we just do not know.

Senator McCLELLAN. In other words, as between the two contending positions, there is no way to determine absolutely, we will have to exercise a judgment and a discretion?

Mr. REYNOLDS. That is right; it is just a question of whether, in the committee's opinion, it would have that effect. It has also been proposed that these fees should be deferred for assignees as well as for inventors when they have not recovered the amount.

Senator McCLELLAN. What is the objection to deferring it for assignees?

Mr. REYNOLDS. There are several. The—in the first place, the effect would be to water down the recovery very substantially. You would have to raise the money somewhere else.

Also, the assignees who have these patents are businessmen who are in a position to appraise the situation and who should know whether it is worth paying these fees or not, regardless of what the immediate recovery has been.

Senator McCLELLAN. In other words, the folks who buy a patent have in mind making some money out of it? They are pretty good businessmen and you feel that within 5 years he will pretty well determine whether it has a value?

Mr. REYNOLDS. Right.

Senator McCLELLAN. If it has no value, he will abandon it?

Mr. REYNOLDS. That is right; and I think they are in a better position to determine that than some inventor who has a patent and is hanging on to it. And they have bought it with the idea of going into business, rather than having a flash of genius. Also, in the case of assignees, it would be difficult frequently to determine whether they have made a recovery of $50 or $150, because they have a number of patents and they may be manufacturing something under a number of patents or they may be granting licenses under a number of patents.

So it would be pretty hard to pinpoint whether you were getting it out of one patent, and we would have to take their conclusion, almost, because we would have no way of checking on their figures.

I think that covers all those fees. I said something about attorneys' fees and, with your permission, I would like to come back to that a minute, because I think that is part of the whole picture.

Senator McCLELLAN. I am going to be interested in that when I get out of here. I have nothing else to fall back on.

Mr. REYNOLDS. About 85 percent of all applicants for patents hire attorneys. The information of record here—for all practical purposes, you could almost say that all of them do. And attorneys' fees since 1932 have at least tripled, according to our statistics. Moreover, the attorneys' fee——

Senator McCLELLAN. That is not regulated by law?

Mr. REYNOLDS. No, sir.

Senator McCLELLAN. But do they have—does the Patent Attorneys' Association have some standard that they observe?

Mr. REYNOLDS. Not to my knowledge. It is just like doctors. If they think their services are worth it, they charge what they want.

Senator McCLELLAN. Each patent firm has its own fee?

Mr. REYNOLDS. I would think so, but some much higher than others.

Senator MCCLELLAN. I did not remember whether the Patent Attorneys' Association had some schedule of fees that they generally follow.

Mr. REYNOLDS. Not that I know of.

Senator MCCLELLAN. It is still left to independent bargaining at arm's length.

Mr. REYNOLDS. That is right. It is what the traffic will bear, I think.

Senator MCCLELLAN. That is what I meant by arm's length.

Mr. REYNOLDS. So we have, then, 80,000 applicants a year who are paying these attorneys' fees and, of those, only about 60 percent will get patents at all, and only about 15 percent of those who do will pay the final $300 maintenance fee.

Senator MCCLELLAN. How many of them finally never pay their attorneys?

Mr. REYNOLDS. We have no information on that. It has been figured by some of the opponents of this bill that to maintain the average patent through the full period would cost about $480. We have no quarrel with that. But only about one-sixth of the patents will be maintained that far, so that spread over the whole field, it is very much less than that.

As I say, the attorneys' fees on the average will comprise at least two-thirds of the total cost of getting a patent. Those fees have gone up by about three times since 1932 and the economy has absorbed that. There has been no drop in the number of applications notwithstanding that.

Senator MCCLELLAN. You are saying that in 1932 as compared to now, attorney fees that these patent applicants pay have tripled, would you say?

Mr. REYNOLDS. On page 87 of the hearings on S. 2225, is given our best estimate. This shows that in 1937, the legal fees in an average case, exclusive of appeals and interferences and so on, varied between about $100 and $150. In 1959, it had gone up to $150 to $500 and in 1962, to $450 to $900. That means from an average of less than $150 to an average of more than $650.

Now, admittedly, these are simply based on inquiry——

Senator MCCLELLAN. They have gone up three or four times?

Mr. REYNOLDS. Yes, sir. Those are the best figures we can get from inquiring.

Senator MCCLELLAN. I will tell you, when some of these patent attorneys testify, we will just ask them.

Mr. REYNOLDS. I think that is a good idea.

Our figures indicate that attorneys' fees may run as high as 80 or 90 percent of the cost. Attorneys' fees have gone up three times without any appreciable slowdown in the filing of applications, so we cannot see why putting the Government fees, which comprise about one-third of the costs, up by 100 percent should be the death blow to the patent system. It just does not seem to work out.

I think that is all that I have to say, except generally that we do not make the contention that these fees are divinely inspired or that they are the only reasonable way in which this money can be recovered. We do submit that they have been worked out carefully with a good

deal of thought, that they present a very fair means of recovering it, and that the recovery is long overdue and it would be unfortunate to delay the passage of this bill in order to consider other systems which might not be any better.

Senator McCLELLAN. Mr. Commissioner, do you feel, and is that the position of the Department and the Patent Office, that at least something around two-thirds of the cost to the Government should be recovered in fees?

Mr. REYNOLDS. At least that; yes, sir. I would think 75 percent is a more logical figure.

Senator McCLELLAN. I think the way you have calculated this, you have estimated it that even ultimately you do not expect to get 75 percent; possible two-thirds is more nearly the accurate figure.

Mr. REYNOLDS. I understand your question was what we wanted rather than what we are getting.

Senator McCLELLAN. Well, when you are going to raise fees this way, the public does have an interest. I am not opposed to the Government, out of general revenue funds, bearing some of these costs. I think the whole country profits by invention and I am not wedded to the idea that you must recover every penny of it. But there ought to be something more equitable, some amount more than 30 percent. How to move it up, how to recover more in the fairest manner, the most equitable way of getting it from the applicants and from the patentees, assignees, and so forth, is all that is at issue here so far as I am concerned. How is the best way to do it?

Mr. REYNOLDS. We are definitely satisfied with this bill as it stands. I do not want to leave any doubt about that. We think this is the best that can be done.

Senator McCLELLAN. You know the Senate likes to put its mark on almost any legislation.

Mr. REYNOLDS. This committee has already put its mark on this legislation. The maintenance fees are scaled down from substantially higher values to what they are now.

Senator McCLELLAN. Very well.

Mr. REYNOLDS. Just one further comment about Senator Dodd's bill. I agree with what Secretary Hollomon has said about that, but the overall recovery from that bill would be substantially less than from this bill. As we figure it, it would be some $2 or $3 million a year less than our bill.

Senator McCLELLAN. What do you figure this one is going to produce?

Mr. REYNOLDS. About $20 million, when the maintenance fees are fully due.

Senator McCLELLAN. The maximum will be about $20 million when it finally grows up to full stature?

Mr. REYNOLDS. That is right; 13 years from now.

Senator McCLELLAN. And Senator Dodd's bill will produce how much less?

Mr. REYNOLDS. Senator Dodd's bill, as we figure it, will recover $3 or $4 million less than that.

Senator McCLELLAN. About $16 or $17 million instead of the $20 million?

Mr. REYNOLDS. That is right.

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Senator McCLELLAN. That, of course, is an estimate? That is your best guess?

Mr. REYNOLDS. Yes, sir; and we only got the bill yesterday, so we had to do it rather hurriedly.

Senator McCLELLAN. I indicated to Secretary Hollomon that you should study it and, if there is any point you want to be heard on, we will hear from you. You may submit a statement or come back. I expect Senator Dodd—I have not been in touch with him, but I am sure he will want to testify. I understand the Connecticut Bar Association will have representatives here to testify and we will hear them with patience, sympathetically and understandingly and we will undertake to weigh the equities between the two. As I said, the Senate will put its mark on it somewhere.

Mr. REYNOLDS. That is all I have, Mr. Chairman. I will be glad to answer any questions.

Senator McCLELLAN. Counsel has some questions.

Mr. DINKINS. Mr. Reynolds, are you familiar with Executive Order 9424, dated February 12, 1944?

Mr. REYNOLDS. Yes, I am.

Mr. DINKINS. I call your attention to the fact that this order provides that Government departments and agencies shall file with the Patent Office for recording in a separate register, and I quote:

> all licenses, assignments, and other interests of the Government in or under patents or applications for patents in accordance with such rules and regulations as may be prescribed—et cetera.

I also call your attention to the bill presently under discussion, H.R. 8190, at page 3, line 17, where the language reads, "for recording any other paper, $20.00."

Now, my question is this: Do you construe the language in H.R. 8190 to require payments by Government departments for recording patent papers with the Patent Office pursuant to Executive Order 9424?

Mr. REYNOLDS. No; we do not. We do not consider it that kind of recording and we do not propose to make any charge for it.

Mr. DINKINS. Now, Mr. Reynolds, you had some discussion about dependent and independent claims. In your opinion, is there any difference in the value as between two patents where one was based on dependent claims and the other on independent claims?

Mr. REYNOLDS. No; not if the independent claim were of the same scope as the dependent claim.

Mr. DINKINS. I mean assuming other things to be equal.

Mr. REYNOLDS. It is just a matter of form, should have no effect on the validity and I think this bill makes clear it would not have sir.

Mr. DINKINS. One more question, Mr. Reynolds. Some of these questions have necessarily to be directed at average cases. In your opinion, about how many years in the average case does it take for the owner of a patent to determine its value to him?

Mr. REYNOLDS. That is an awfully difficult question, because I have no experience in that field, but I would think on the average, 5 years would be ample to make that determination. Certainly 13, or 9 to 13, would be conclusive, I would think, but 5 should be enough.

Senator McCLELLAN. All right. Mr. Dinkins, you do not have any further questions?

Mr. DINKINS. No.

Senator MCCLELLAN. Very well, Mr. Commissioner. Thank you very much, and again, feel free to submit to the committee any information you think it should have in considering this legislation.

Mr. REYNOLDS. Thank you, sir.

(Subsequently the following information was received from the Patent Office:)

For specification of patents, designs, and trademark registrations issued during fiscal 1963, the Patent Office paid to the Government Printing Office the following amounts:

For patents	$3,340,749
For designs	7,787
For trademarks	53,160
Total	3,401,696

For the Official Gazette pertaining to patents, designs, and trademarks issued during fiscal 1963, the Patent Office paid to the Government Printing Office the following amounts:

For patent portion	$199,969
For trademark portion	72,696
For extract sections	8,172
Total	280,810

For annual indexes of patents and trademarks issued during the calendar year 1962 (delivered and paid for during fiscal 1963), the Patent Office paid to the Government Printing Office the following amounts:

For patent indexes	$58,940
For trademark indexes	9,629
Total	68,569

For miscellaneous other printing during the fiscal year 1963, the Patent Office paid to the Government Printing Office approximately $100,000.

In summary, out of total printing and reproduction costs of $4.5 million for the year, the Government Printing Office work amounted to approximately $3.9 million, or 87 percent.

(Subsequently the following was received and by order of the chairman printed at this point:)

WESTFIELD, N.J., *March 4, 1964.*

Hon. JOHN L. MCCLELLAN,
Chairman, Subcommittee on Patents, Trademarks, and Copyrights, Committee of the Judiciary, U.S. Senate, Washington, D.C.

DEAR SENATOR MCCLELLAN: This is in response to your request during the hearing on my nomination as Commissioner of Patents last Friday, February 28, for my opinion and comments on H.R. 8190 and S. 2547, bills to fix certain fees payable to the Patent Office.

Of these two bills, I believe that H.R. 8190 is the better bill for reasons outlined below. Increased operating costs of the Patent Office since the last increase in 1932 of fees charged by the Office make clear that an increase in fees is warranted and H.R. 8190 would provide a satisfactory return. I also believe that the hearing by your subcommittee take into account views there expressed appear warranted. In my judgment, there are the following important differences between H.R. 8190 and S. 2547.

SEPARATE FEE FOR INDEPENDENT CLAIMS

H.R. 8190 provides for payment of a fee of $10 for each claim in independent form which is in excess of one. I believe that this provision, which is not included in S. 2547, is a desirable feature. The separate fee for independent claims in excess of one recognizes the increased cost of examining independent claims in the Patent Office and, further, it should encourage applicants, and

their attorneys and agents, to give careful consideration to presenting only that number of independent claims which are really necessary for adequate patent protection. The tremendous backlog of pending applications in the Patent Office makes it important to optimize our efforts in all phases of the patent examining procedure. The opponents to this particular provision express the concern that in the case of litigation a court may, without undertaking to distinguish, strike dependent claims in the event an independent claim on which they depend is found invalid. However, the patent bar, at your suggestion, has agreed to supply a substitute amendment to the fee bill to improve the present language to make it clear to the court the true intention of this proposed amendment. I believe it should be emphasized that H.R. 8190 does not provide that applicants cannot include more than one independent claim in their patent applications, contrary to the impression that one might obtain from some of the opponents of this section, but rather independent claims in excess of one will simply require a separate fee of $10 per claim.

Another somewhat related provision of H.R. 8190 provides that a fee of $10 per page of printed specification and $2 per sheet of drawing will be charged upon the issuance of a patent. This provision is not included in S. 2547. I believe that this particular provision of H.R. 8190 is justified on the basis of additional expenses involved in printing patents. At the time of the hearing on S. 2225, the printing of each page of specification reflected an out-of-pocket cost to the Office of $14.75. Since that time, the cost has risen to $17.40. We estimate that with improved practice the average issued patent will have 3.6 pages of specification and 2 sheets of drawings. Since this is an average figure, a patent on a relatively simple invention will require less than this number.

FEES FOR PATENT COPIES

H.R. 8190 provides for a fee of 25 cents per patent copy, the same as the present fee. S. 2547, on the other hand, proposes to double this fee from 25 cents to 50 cents per patent copy. In my opinion it would be desirable to maintain the fee for a patent copy at the present level of 25 cents since the cost to the Patent Office per patent copy amounts to about 25 cents. Further, I believe it is very important to keep the fee for a copy of a patent at as low a level as possible, consistent with cost, to avoid the possibility that a higher cost per patent copy might discourage the dissemination to the public of the technical information published in U.S. patents. This dissemination is the end product of the patent system, the consideration to the public for the grant of the 17-year monopoly. I do not believe that the fee for dissemination should be increased beyond cost to defray part of the costs of examination of patents.

TRADEMARK FEES

S. 2547 provides for a considerably higher schedule of fees for trademarks than does H.R. 8190. I understand that the schedule of fees provided for trademarks in S. 2547 would recover an amount substantially in excess of the cost of our trademark operations, specifically to the extent of about $1 million per year. Thus, in effect, the trademark operations could be said to be subsidizing our patent operations, which I do not believe would be fair or reasonable. I therefore, prefer the trademark fee provisions of H.R. 8190.

DATE OF ISSUANCE OF PATENT

H.R. 8190 provides that the issue fee shall be due within 3 months after the written notice of allowance of the application is mailed to the applicant. This compares with the present law which provides for payment of the issue fee within 6 months after notice of allowance. I believe that this amendment to the patent laws is very important since (1) this will reduce the amount of work required on the part of the Patent Office (e.g., by reducing the magnitude of interference searches); (2) this will enable the U.S. patent to issue at an earlier date thereby expediting the disclosure of technical information to the scientific community at an earlier date; and (3) the earlier issuance of U.S. patents would make it possible for our examiners to more effectively utilize such patents as references against earlier filed applications. I strongly endorse this particular provision of H.R. 8190 which will enable us to reduce the pendency of applications in the Patent Office by 3 months. S. 2547 does not provide for such an amendment.

MAINTENANCE FEES

Probably the most controversial feature of H.R. 8190 is the provision for maintenance fees. I believe that the reasons for proposing maintenance fees in the United States are basically sound. Since a significant amount of money will be obtained from maintenance fees, it will, therefore, be possible for a given percentage recovery of costs of operating the Patent Office to hold the filing fee and issuance fee to a lower level than would be the case without maintenance fees. It should be noted that the fee for filing an average patent application is $74 under H.R. 8190 and $80 under S. 2547 and further that it is possible under H.R. 8190 for an applicant to have access to the examining process of the Patent Office for $50, as compared to $70 under S. 2547 in the case of a simple patent application having 1 independent claim and no more than 10 total claims.

The maintenance fees of H.R. 8190 would make it possible for an applicant to postpone a portion of the fees until a later date when the commercial possibilities of the invention are more clearly known. Fees would then be paid on only those patents that presumably eventually have commercial value and which have sufficient value to justify the payment of the particular fee involved. I also believe the maintenance fees are desirable in that they make the patent holder consider whether he really wants to maintain his patent or not, in which latter case the invention reverts to the public domain thus to some extent opening the way for future developments in the particular area covered by the patent.

Testimony during the recent hearing on H.R. 8190 indicated to me that it would be desirable for the Patent Office to send a followup notice about 60 days after the due date for the maintenance fee to those patent holders who have not responded to the initial notice. I believe the procedure which should be followed would be to send 30 days prior to the due date, as the first notice to the owner of record, a short fill-in card to be returned which would indicate whether or not the fees were to be paid. There would be a simple statement to be filled out by an inventor-owner that his entire or gross return from the patent was or was not equal to the fee due. This latter statement would be under the penalty provisions of section 1001 of title 18 of the United States Code, thus eliminating the need for the affidavit now required by H.R. 8190. There would be no need for a followup notice addressed to those who reply to the first notice which we believe would be the great majority of owners. The Office would then follow up with a similar inquiry addressed only to those who did not reply. This modified procedure would require an amendment to H.R. 8190 to delete the requirement for the affidavit. The use of the followup notice would be carried out as a good administrative practice.

There is enclosed for your consideration a table comparing the different major fees proposed by S. 2547 and H.R. 8190 and estimated income therefrom. This table is based on the same assumptions as those which provided the basis for table 1 of Senate Report No. 2167 on S. 2225 of the 87th Congress, and table 1 of House Report No. 949 on H.R. 8190. Based on the assumptions noted, the income from S. 2547 would exceed the income from H.R. 8190 excluding maintenance fees by $1.1 million annually. When maintenance fees are in full effect under H.R. 8190, the latter bill would produce about $1.7 million more annually.

To summarize, I believe that quite apart from differences in estimated income from the two bills, H.R. 8190 provides fees and procedures which are preferable to those provided by S. 2547; the fees which are increased by S. 2547 to make up for the deletion of maintenance fees would have an adverse effect on certain major purposes of the patent and trademark laws. These purposes are (1) relatively low priced access to the examination process to see if a discovery is patentable; (2) copies of patents at cost to advise the public of discoveries subject to license and after the term of the patent, without license; (3) timely issuance of U.S. patents; and, (4) reliance on charges related to patents for the recovery of patent costs rather than on charges unrelated to patent activities (i.e., trademarks). In addition, H.R. 8190 by its provisions for charges related to the work performed by the Office should encourage prosecution practices helpful to an overburdened examination staff.

I will be happy to provide you with any further information you might require concerning my opinion and comments on H.R. 8190 and S. 2547.

Sincerely,

EDWARD J. BRENNER.

	H.R. 8190		S. 2547		Difference from table 1, p. 13 of H. Rept. 949 on H.R. 8190
		Thousands		*Thousands*	*Thousands*
Patent filing, original patent	$50	$4,150	$70	$5,810	+$1,660
	$2 each claim over 10	332	$5 each claim over 10	830	+498
	$10 each individual claim over 1	1,660			−1,660
Patent issue, original patent	$75	3,510	$70	3,276	−234
	$10 each page of specification as presented.	1,685			−1,685
	$2 each sheet of drawing	187			−187
			$10 each claim over 10 (average of 1 claim over 10).	468	+468
Patent issue, reissue patent	$75	15			−15
	$10 each page of specification as presented.	7			−7
	$2 each sheet of drawing	1			−1
Patent filing, reissue patent	$50	10	$70	14	
	$2 each excess claim over 10	(1)			
	$10 each excess individual claim	3			−3
			$5 each excess claim	1	+1
Patent appeals	$100 with oral hearing	300			−300
	$50 without oral hearing	50			−50
	$25 if withdrawn	150			−150
			$25 on filing appeal	250	+250
			$25 on filing appeal brief	125	+125
			$25 for oral hearing	125	+125
Patent copies	25 cents, except designs	1,529	50 cents, except designs	3,058	+1,529
	10 cents for designs	5	20 cents	10	+5
	$50 annual for libraries	1	$100 annual for libraries	2	+1
	$1 for large ones and plant patents in color.	15			−15
Recording patent assignments	$20 each item	1,600	$20 each assignment	1,200	−400
			$3 each extra item	60	+60
Certification of copies	$1 each certificate	75	$2 each certificate	150	+75
Trademark filing	$35	823	$60	1,410	+587
Trademark renewal	$25	65	$60	156	+91
Trademark issue			$25	450	+450
Trademark opposition or cancellation	$25	30	$50	60	+30
Trademark appeals	$25	2	$50	4	+2
Certification of copies	$1	9	$2	18	+9
Trademark copies	10 cents	34	20 cents	68	+34
Trademark assignment	$20 each item	264	$20 each writing	66	−198
			$3 each extra item	30	+30
Subtotal, excluding maintenance fees					+1,129
Patent maintenance		2,877			−2,877
Total difference, including maintenance fees					−1,748

Senator McCLELLAN. Mr. Anthony P. DeLio, patent attorney, New Haven, Conn., representing the Connecticut Patent Law Association.

STATEMENT OF ANTHONY P. DeLIO, PATENT ATTORNEY, NEW HAVEN, CONN., CONNECTICUT PATENT LAW ASSOCIATION

Senator McCLELLAN. Will you identify yourself for the record, please, sir?

Mr. DeLIO. Yes, sir, Mr. Chairman. I am Anthony DeLio, and I am a patent lawyer from New Haven, Conn. I welcome the privilege to speak before this committee.

Senator McCLELLAN. Do you have a prepared statement?

Mr. DeLIO. Yes, I do, Mr. Chairman.

Senator McCLELLAN. How long have you practiced patent law?

Mr. DeLIO. I have been in the patent field for 10 years. I am a member of the bar in Connecticut and in the District of Columbia, a member of the Patent Office bar and admitted as a patent attorney in the Patent Office.

I have a bachelor's degree in physics from Polytechnic Institute in Brooklyn and a law degree from the George Washington University here in Washington.

I took the patent elective courses at George Washington and, during my stay in Washington, I was a patent engineer for the Bendix Corp. for about 2½ years.

Later on, I joined the Navy Department at the Office of Naval Research, where I was a patent adviser in the Office of the Assistant Chief of Patents for the Navy.

I have practiced law in two law firms, both of them in Connecticut; one in Stamford and the law firm in which I am presently a partner in New Haven, the firm of Rockwell & DeLio.

I am here on behalf of the Connecticut Bar Association, the Connecticut Patent Law Association, various individual inventors, corporate patent owners, both large and small, my partner and my associates.

I would, with the committee's and the chairman's permission, ask that my prepared statement be incorporated in the record.

Senator McCLELLAN. Very well, Mr. DeLio, it will be printed in the the record at this point in full. I appreciate your giving us your background so it will give some credence to your testimony as to your knowledge and experience in this field.

(The complete prepared statement of Anthony P. DeLio follows:)

This is the prepared statement of Anthony P. DeLio, patent lawyer from New Haven, Conn., and partner in the firm of Rockwell & DeLio, speaking on behalf of himself, the Connecticut Bar Association, the Connecticut Patent Law Association, and various individual inventors and corporate patent owners.

This statement has been prepared and is submitted to the U.S. Senate Judiciary Subcommittee on Patents, Trademarks, and Copyrights in keeping with the rules for an appearance before the aforesaid subcommittee for the purposes of submitting testimony in connection with fees payable to the U.S. Patent Office and other matters relating to patents and trademarks.

PREPARED STATEMENT OF ANTHONY P. DeLIO, NEW HAVEN, CONN., IN CONNECTION WITH PATENT OFFICE FEES, S. 2547, H.R. 8190, ETC.

With full realization of the objectives of this Senate subcommittee and of the Bureau of the Budget, and of the necessity and desirability of making the Patent

Office more self-sustaining, I would like to submit some comments concerning Patent Office fees, S. 2547, H.R. 8190, etc.

The Soviet drove a hard bargain at Yalta and Potsdam, notwithstanding the monopoly position of the United States in atomic energy. The Soviet then worked hard to catch up in this field and with a massive program, including espionage, is now on a par with the United States in the atomic energy field. Sacrificing the Russian consumer, the Soviet developed an ICBM capability for both military and propaganda purposes.

With this background, the Soviet turned to a peaceful coexistence line, because at this stage of its development, it is necessary to upgrade itself along a broad front, to satisfy consumer demands at home, and shift its productivity to foreign income-producing programs.

The wheat shortage cost the Soviets the loss of some prestige, especially at home; hence the new emphasis on the chemical industry, which of necessity had to be sacrificed in order to attain the aforementioned objectives.

At this point the West must gird itself and prepare itself for a massive effort by the Soviets to compete in world markets. In order to prevent the fostering of a hostile world atmosphere, the West must allow the Soviet to trade in its markets. As such, the West's trade containment policy toward the Soviet must give way, in order to ease world tensions.

Accordingly, the world is receding from a cold war into an economic struggle with the possibility of a world conflagration minimized. No one, however, should be deluded into thinking that the competition is less formidable or that the outcome of the struggle less disastrous. If the West should be so deluded, it will wake up in 10 to 15 years to an economic "sputnik" from which it will not be easy to recover.

The West's best defense and offense to the Soviet's newly placed emphasis is to be a leader in innovation. This innovation must be protected by way of industrial property rights and must be fostered by new incentives to innovate. This is especially true since innovation is the key to economic growth, more so today than at any other time in history.

In an article (from the Journal of the Patent Office Society, September 1963) by a research staff member of the U.S. Patent Office, the author, Allan Kiron, states:

"A recent flurry of articles in Russian newspapers and magazines has assumed an extensive didactic effort to inform everyone of the importance and value the Patent Office plays in the economy and progress in the country. It also points out how large savings can be had at home and income derived from abroad by licensing to foreign countries. Specifically, the Russians claim $1,800 million dollars in savings has been achieved in 1961 from inventions and innovations. This saving is equivalent to annual wages for over 1 million skilled workers."

In an article by M. Boguslavski, "Patents and Licenses in World Economy; Their Role in Foreign Trade of U.S.S.R.," appearing in the Ekonomicheskaya, Gazeta, No. 7, February 12, 1962, Mr. Boguslavski states: "It is no longer adequate to have scientific and technical achievements: It is necessary to guarantee their legal protection."

All this indicates that drastic changes are taking place in Soviet patent policy unparalleled in any major industrial nation in the world. The Soviet Patent Office is now represented on the highest tribunal of Soviet advisers and the Soviet Patent Office has created a new Soviet Institute of State Patent Research, according to Pravda and Izvestia. In addition, the Soviet for many years has had a true "capitalistic incentive" program with respect to inventions. There are provisions in the Soviet law for rewarding inventors on a capitalistic basis. These include special party privileges and preferences, not to mention a dollar (ruble) payment to inventors based upon a percentage of the dollar (ruble) savings afforded by the use of the invention. The sums can be awarded annually and are realistic sums in keeping with the savings realized. In other words, the Soviet is maintaining a healthy climate for innovation and is now encouraging legal protection for its inventions.

The EEC has drafted a new patent act for the six states, which is in line with the strong patent systems prevailing in Germany and the Netherlands rather than the weaker systems of France, Italy, and Belgium. The Japanese have a new and stronger patent system as evidenced by the new Japanese Patent Act of 1960.

The United States since its inception and up until about 30 years ago, pursued a policy based upon a strong patent system. This view was altered and replaced by a much different attitude as a result of the depression of the thirties.

Since then the courts and the executive branch of our Government have emasculated the patent system to a point where, today, it is fighting for its survival.

Innovation and the patent system are "in trouble" in the United States today. The United States is 11th in per capita patent applications filed, and 5th in per capita patents issued. This, coupled with the fact that the per capita employment in the technical and research and development field is [probably] the highest in this country, indicates that our statistical position may be even worse than is stated.

Mr. Frank A. Howard, president of the Sloane Kettering Institute for Cancer Research, in an address at the Mayflower Hotel in Washington, D.C., on June 17, 1960, after quoting from a statistical report concerning the per capita output of inventions in the United States, stated that [it] "seems to be nearer the bottom than the top of the list of mature industrial countries." While no nation has a monopoly on intelligence, a nation may cultivate a climate for either encouraging or discouraging invention. In order to cultivate a favorable climate for invention, it will be necessary to strengthen our patent system and to encourage the individual to invent so that new industries are born as fast as old ones die out, thereby assuring a healthy economic climate for the investment of capital and the utilization of labor. Unless the United States awakens from its inventive lethargy and increases its standing in per capita inventions, it cannot meet its commitments abroad and at home as the leader of the free world.

Without going into detail, it is evident that, as a high cost producer committed to free trade, the United States is in a very vulnerable position. With lower labor costs and modern machinery, occasioned by their recent entry into the mass production field, the countries in the European Economic Community, the Communist bloc, and the Asian bloc will be able to undersell most producers in this country on virtually any line in which they wish to compete. In the face of such competition, a universally accepted and historically sound position for a high-cost producer is to pursue a strong program in connection with the property interests in patents, trademarks, copyrights, trade secrets and know-how.

Why should a property right be recognized? This question may be answered by another question. Why should someone obtain a "free ride" at the expense of one who conducts research, expends engineering time and expends his best efforts to meet competition and attract the investment of capital for the employment of labor? Unless some advantage or protection is given to inventors and investors, they have little to motivate them since competitors can copy inventions with impunity.

At present the economic theoreticians in this country are primarily concerned with diminishing industrial property rights in an attempt to increase competition. The theory behind this thinking appears sound, but in practice, it is unsound and unfair. Confiscation or the diminution of property rights eventually diminishes competition and helps to bring about inventive sterility because it eliminates the incentive to invent.

Contrary to theory, in practice, the proprietary position gained by one innovator is an incentive and motivating force for his competitors to innovate, to avoid the propietary position of the innovator, thus resulting in progressive competition.

All in all, present policies and attitudes toward industrial property rights and patents, in particular, leave much to be desired, with the result that instead of using the patent system to promote the useful arts, the policies of the Federal Government, the Justice Department, the courts, and even industry have been such as to stifle the inventive genius of the Nation at a time when this inventive genius must sustain us in the economic wars that lie ahead.

Accordingly, the adoption of a historically sound and equitable policy in connection with industrial property rights should be a major concern of the Congress and the administration as well.

As the members of this committee of the Senate well know, the patent grant is a rather nebulous property interest at best. The patent right that is granted is not a positive right, but a negative one. The inventor or patent owner is not given the right to manufacture, use or sell the invention covered by the patent; he is only given the right to exclude others from making, using, or selling. What does this mean? It simply means that one can be granted a patent from the U.S. Patent Office and still not have the right to manufacture, use, or sell what he has patented. The reason is that a later inventor may be using basic

techniques which were the subject matter of patents granted to previous inventors. The Patent Office only acts on the question of patentability and not on the question of infringement of preexisting patents. Accordingly, the patent grant has been defined by some knowing individuals as a "mere license to litigate." This, coupled with the high mortality rate (75 percent) of the patents that are asserted in our Federal courts makes one wonder why anyone attempts to obtain a patent. Nevertheless, the cold, hard facts of competition, both domestically and internationally, make one realize that while one cannot afford to patent everything, one cannot afford not to patent some things.

Recently the passage of H.R. 8190 in the 2d session of the 88th Congress has added to the woes of the inventors and patent owners. H.R. 8190 employs a new and most obnoxious fee device, the maintenance fee, or "tax," after the patent has been granted. Instead of a patent subsisting for 17 years in order to allow the inventor to recoup his invention and patenting costs and to recompense him for making a full disclosure of his invention to the public, H.R. 8190 would cause the patent to lapse prematurely if fees or taxes aren't paid at specified anniversary dates of the patent.

More importantly, however, a maintenance fee arrangement makes a great deal of useless work necessary for both the inventor and the Patent Office. The Patent Office will have to keep track of every patent, which, although granted ostensibly for a period of 17 years, can lapse for failure to pay the fee or tax on time. In addition, anyone who is interested in a particular patent must check with the Patent Office, request a status copy, etc. The Patent Office will have to refer to some master records established and maintained for this purpose and notify the inquirer accordingly.

As to the maintenance fee recovery under H.R. 8190, the former Commissioner of Patents, David Ladd, indicated that $2,800,000-plus, would be recovered based upon certain assumptions. This anticipated recovery is pure speculation and is based upon a speculation as to the number of patents that will be maintained. The cost of administering the maintence fee program in the Patent Office is going to be a substantial cost and not an insignificant one. With a more realistic maintenance assumption, it is unlikely that more than $2 million will be realized in this connection.

During the debate in the House, some Congressmen felt that maintenance fees would be desirable, because they will cut down on the administrative tasks of the Patent Office by cutting "deadwood" or "defensive" patents. This reference to "deadwood" was both unfortunate and misunderstood. Depending upon when an invention is made or a patent granted, it may or may not be timely for commercialization or utilization. Sometimes it will be necessary to wait many years before commercializing the invention covered by a patent. In many instances patents are taken out which are mutually exclusive so that many are never commercialized in preference to the one particular patent that is commercialized.

Regardless of the commercialization or lack of commercialization of a patent and whether or not a patent is enforcible or expired, the Patent Office concerns itself with the patentability of subsequently filed applications for letters patent. Any patent (foreign or domestic) that has ever issued is a reference against a later application and accordingly whether or not a patent lapses for failure to pay a maintenance fee, it still remains a part of the Patent Office record. Accordingly, the so-called deadwood is neither "dead" nor "weeded out" as far as the Patent Office is concerned.

As such, the so-called advantages of maintenance fees or taxes on patents are nonexistent, yet the proponents of H.R. 8190 are willing to gamble these nonexistent advantages against the [highly probable] detrimental effect of such fees or taxes on innovation with the resultant harm to the Nation as a whole.

The dangers in H.R. 8190 are not limited to the maintenance fee or tax, they are also attempts at changing the substantive patent law under the guise of a [mere] fee bill. These attempted substantive law changes are connected with the filing fee and final fee formulas of H.R. 8190. In this bill, we have a basic increase of from $30 to $50, but this is not all. The "lion's share" of the increase is in hidden charges. These hidden charges are connected with the $10 charge for each independent claim over 1 and $2 for each claim (regardless of form) over 10. These hidden charges alone will run over $150 and as inventions and technology become more sophisticated, it will be necessary to employ more and more claims to adequately protect an invention

Patent claims are akin to the metes and bounds in a deed. They define the extent of the grant by the Patent Office and set the stage for the interpretation of the patent by the industry and the courts. Since dependent claims; that is, claims which refer to or incorporate by reference other claims, are not kindly interpreted by the courts, the use of independent claims is imperative. Accordingly, the increase in the filing fee under H.R. 8190 is in fact an increase of from $30 under present law to over $200 under H.R. 8190.

In addition, the application branch of the Patent Office will have to spend considerably more time determining the proper filing fee, due to the necessity of tallying all independent and dependent claims separately. Under the present schedule and under S. 2547, such additional work will not be necessary.

Turning now to the final fee formula under H.R. 8190, we have an administration problem both for the Patent Office and for the professional people involved in the field, because the final fee can't be determined with accuracy until the patent has been printed. Up until the time the fee is paid, the Patent Office is reluctant to go to the expense of printing the patent because the final fee may not be paid. In order for the Patent Office to cover some of the expense attendant printing, it will have to institute a partial fee payment before printing, with a subsequent additional transaction to obtain the final fee after printing. This is going to greatly complicate and increase the activity of the patent issuing staff of the Patent Office in this connection.

The $10 surcharge for each printed page of the patent and the $2 surcharge for each sheet of drawings, over and above the increase of from $30 to $75, is going to result in a final or issuance fee increase of from $30 under present law to well over $200 under H.R. 8190.

An inventor is required under 35 U.S.C., section 112 (1952) to make a full, clear, and concise disclosure so that when the invention passes into the public domain, the public will have full knowledge of the invention. As such, we require and encourage the inventor to make a full, clear, and concise disclosure and then we penalize him for so doing by basing the final fee on the number of pages of description, claims and drawings.

An alternative proposal endorsed by the Connecticut Bar Association, the Connecticut Patent Law Association, and others, has been filed by the Honorable Thomas Dodd, senior Senator from Connecticut. This bill, S. 2547, is a well-balanced bill and should prove equitable to all concerned. S. 2547 raises almost the same amount of revenue as H.R. 8190 as evidenced by the attached table and schedule and more than doubles the recovery under the present fee schedule. It does this without resorting to the obnoxious maintenance fees or the complicated filing and final fee formulas employed by H.R. 8190. It is fair to the individual or garret inventor, the small two- and three-man corporations and the small, medium, and giant corporations as well. This is accomplished by well-planned increase in preexisting fees and the institution of some new fees.

Under S. 2547 the filing fee is raised from $30 to $70 with a surcharge of $5 for each claim, regardless of form, over 10. This compares with a surcharge of only $1 for each claim over 20 under present law.

The final fee under S. 2547 is likewise raised from $30 to $70 with a surcharge of $10 for each claim over 10. This compares with a surcharge of only $1 for each claim over 20 under present law.

The patent copy (soft copy) fee under S. 2547 has been raised from $0.25 to $0.50 in keeping with the true cost of printing and processing orders for patent copies. Patent and trademark assignment recordal fees have been increased under S. 2547 in an effort to raise additional revenue without hitting the "little fellow" who does not usually effect an assignment.

The trademark filing fee has been raised from $25 to $60 under S. 2547 and a new trademark issue fee of $25 has been added. A trademark affidavit fee of $10 has been added under S. 2547 and the trademark opposition and cancellation fees have been increased from $25 to $50. The trademark soft copy fee has also been raised from $0.10 to $0.20 under S. 2547.

A new group of patent interference fees has been added, which helps to defray the cost and expense of administering the long and drawn-out interference process in the Patent Office. These fees would amount to a charge of about $200 for each applicant to an interference.

Design patent filing fees have been increased slightly under S. 2547 and a new design patent issuance fee formula has been instituted which results in an average design final fee of about $28. In addition, the patent appeal fees have been raised substantially from $25 to approximately $40 on the average.

The alternative bill raises just about the same amount of revenue as H.R. 8190 and is designed to effect a greater "sharing of the freight" as far as costs are concerned. It doesn't hit the little fellow or the small corporations as hard as H.R. 8190 and spreads the cost over many diverse patent and trademark fee categories.

Accordingly, it is respectfully requested that this subcommittee approve, endorse, and favorably report S. 2547.

In the alternative, it is respectfully requested that H.R. 8190 be amended to read as follows:

"1. On filing each application for an original patent except in design cases, $70, and $5 for each claim in excess of 10 filed originally or pending and under consideration at any other time during prosecution.

"2. On issuing each original patent, except in design cases, $70, and $10 for each claim in excess of 10.

"3. Same as H.R. 8190.

"4. On filing every application for the reissue of a patent, $70, and $5 for each claim over and above the number of claims in the original patent.

"5. Same as H.R. 8190.

"6. Same as H.R. 8190.

"7. Same as H.R. 8190.

"8. Same as H.R. 8190.

"9. As available and if in print: For uncertified printed copies of specifications and drawings of patents (except design patents), *50* cents per copy; *20* cents per copy; the Commissioner may establish a charge not to exceed $1 per copy for patents in excess of 25 pages of drawings and specification and for plant patents printed in color; special rates for libraries specified in section 13 of this title, $50 for patents issued in 1 year.[1]

"10. Same as H.R. 8190.

"Section 2: Same as H.R. 8190.

"Section 3(a): Page 4, lines 1 through 5, same as H.R. 8190.

"1. On filing each original application for registration and each application for renewal in each class, $60; on filing each application for renewal in each class after expiration of a registration, an additional fee of $5.

"2. Before issuing each registration of a mark in each class, $25.

"3. Same as H.R. 8190.

"4. Same as H.R. 8190.

"5. Same as H.R. 8190.

"6. Same as H.R. 8190.

"7. Same as H.R. 8190.

"8. Same as H.R. 8190.

"9. Same as H.R. 8190.

"10. Same as H.R. 8190.

"11. For printed copy of registered mark, *20* cents.[2]

"12. Same as H.R. 8190.

"13. Same as H.R. 8190.

"(b) Same as H.R. 8190.

"(c) Same as H.R. 8190.

"Section 4, page 5, lines 13 through 23, same as H.R. 8190.

"On page 5, beginning with line 24, strike out the remainder of section 4, all of section 5, section 6, section 7, and section 8.

"Section 9(a): Same as H.R. 8190.

"(b) Same as H.R. 8190.

"(c) Item 2 of section 41(a), as amended by section 1 of this Act, and item 2 of section 31 of the Trademark Act, as amended by section 3 of this Act, do not apply in cases in which the notice of allowance of the application was sent, prior to the effective date; and, in such cases, the fee due is the fee specified in this title prior to the effective date of this Act.

"(d) Same as H.R. 8190.

"Section 10: Same as H.R. 8190.

"Section 11: Same as H.R. 8190."

The fee income under H.R. 8190 as amended above, based upon the volume assumptions in the attached table and schedule, is in excess of $22,260,000 annually.

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[1] The only changes over this portion of H.R. 8190 are those italicized; namely, 50 cents and 20 cents.

[2] The only change over this portion of H.R. 8190 is that italicized; namely, 20 cents.

Fee income comparison based on attached volume assumption

Description	Present fee	H.R. 8190	S. 2547
Patent filing fee	[1] $2,490,000	[2] $6,042,000	[2] $6,566,620
Patent issue fee	[1] 1,560,000	[2] 6,188,000	[2] 4,186,000
Patent copies	2,859,000	2,859,000	5,718,000
Trademark filing fee	587,500	822,500	1,410,000
Trademark issue fee	None	None	503,925
Patent appeal fees	250,000	500,000	400,000
Patent assignment fees	190,000	1,600,000	1,260,000
Design filing fees	[3] 92,908	100,000	100,000
Design issue fees	None	84,000	84,000
Certification of copies and title reports fees	90,599	90,599	181,198
Trademark copies	30,800	30,800	61,600
Patent interference fees	None	None	256,000
Trademark assignment fees	14,850	264,000	95,700
Trademark affidavit fees	None	150,000	150,000
Trademark opposition and cancellation fees	29,640	29,640	59,280
Drawings and corrections	[4] 61,908	[4] 61,908	[4] 61,908
Subscription service for copies	[4] 28,522	[4] 28,522	[4] 28,522
Reproduction of records	[4] 722,368	[4] 722,368	[4] 722,368
Special service on orders	[4] 96,639	[4] 96,639	[4] 96,639
Classified lists of patents	[4] 7,955	[4] 7,955	[4] 7,955
Other fees (approximately 40 in number) less than 10,000 each	[4] 79,444	[4] 79,444	[4] 79,444
Subtotal	9,192,133	19,757,375	22,029,159
Maintenance fees (estimated)	None	2,872,850	None
Grand total	9,192,133	22,630,225	22,029,159

[1] Excluding extra claims.
[2] Including extra claims.
[3] 1961 basis including extended terms.
[4] 1961 basis.

Annual major volume assumptions (1962 basis)

Patent filing, original patent	83,000 applications with average of 2 claims over 10 and 2 independent claims over 1.
Patent issue, original patent	52,000 patents, with average of 3.6 pages of specifications and 2 sheets of drawings.
Design filing	5,000 design applications.
Design issue	3,000 design patents: 5 percent for 3½ years; 10 percent for 7 years; 85 percent for 14 years.
Patent appeals	10,000 appeals: 30 percent considered with oral hearing; 10 percent considered without oral hearing; 60 percent withdrawn.
Recording patent assignments	80,000 items (patent, application, or any other paper) involved in 60,000 writings.
Trademark filing	23,500 applications.
Trademark issue (original)	17,024.
Trademark affidavit	15,000 affidavits.
Trademark renewals issued	3,133.
Recording trademark assignments	13,200 items (trademark registration or any other paper) involved in 3,300 writings.
Patent copies	11,436,000.
Trademark copies	308,000.
Patent maintenance	1st fee, 22,470 patents (50 percent of 1957 issuances of 44,939); 2d fee, 10,643 patents (25 percent of 1953 issuances of 42,571); 3d fee, 4,567 patents (15 percent of 1949 issuances of 30,446).
Patent interferences	640 (approximately), 10-year average, 1950–59.

Annual major volume assumptions (1962 basis)—Continued

Certification copies and title reports	90,599 (1961 basis).
Trademark oppositions and cancellations	1,185 (1961 basis).
Patent filing, original patent	4,315 applications with average of 28 (27.45) claims (1950, 1953, 1954) basis.
Patent issue, original patent	9,105 patents, with average of 16 (15.75) claims (1950, 1953, 1954) basis.

Senator McClellan. Off the record.

(Discussion off the record.)

Senator McClellan. Very well, proceed to highlight your statement. Talk about either or both bills, giving us your views on either of them.

Mr. DeLio. Thank you, Mr. Chairman.

You have heard quite a bit on H.R. 8190 and undoubtedly you are going to hear various other comments and proposals concerning Patent Office fees, H.R. 8190, and the Honorable Senator Dodd's bill, S. 2547.

However, before I refer to any of these, Mr. Chairman, I should like to digress for a moment with the honorable chairman's permission. I think that one of the things that we have lost sight of, in the juggling of fees in order to come up with a 75-percent recovery, is the fact that this involves more than a perfunctory increase in Patent Office fees. It can have a very substantial effect upon the protection for innovations in this country.

Senator McClellan. On the protections for them?

Mr. DeLio. The protection of innovations. In other words, what I mean is I feel that a bill like H.R. 8190 is going to discourage the protection of inventions.

Senator McClellan. How do you say it would discourage it, by the payment of the maintenance fee?

Mr. DeLio. Well, by the psychological effect of the sixfold to tenfold increase in the fees and the way they are increased under H.R. 8190. I will give you an example. In our law firm, we represent some very small companies. We are talking about corporations now, where the principal officers are husband and wife or where there are maybe 3 or 4 principal partners or entities, maybe employing 10 or 15 people. These companies are striving to compete with the larger corporations, the giant corporations, and any increase in fees is going to have a substantial effect upon what they protect. These companies usually have a budget of maybe $200 or $250 a month for their patents. This includes attorneys' fees and whatnot. And I must say, because it was mentioned so late in Mr. Reynolds' testimony, many times, we never receive our attorneys' fees.

Senator McClellan. You have my sympathy.

Mr. DeLio. Thank you, Mr. Chairman.

Now, to these companies, an extra $50, an extra $100 means a lot. Yesterday I took part in a patent committee meeting at a somewhat larger corporation which has a budget of over $1,000 a month in patent fees. I told them about these increases. I said, "Well, how will it affect you? Will you raise the budget?"

They said, "Oh, no; it will stay the way it is."

I said, "Well, once these maintenance fees go into effect, if you want to keep up the patent, it will be $300."

They said, "Well, this poses a real problem, because we will have to look into our crystal ball and decide which fees to pay and which patents to maintain."

Senator McCLELLAN. Are you talking about a big company or a small one?

Mr. DeLIO. I am talking about a company which does about $10 million worth of business a year.

Senator McCLELLAN. That is not a feeble institution.

Mr. DeLIO. I know, sir; that is why I chose it. Even a company of this size, not in the category of small individual companies, is going to be affected by their attitude.

Senator McCLELLAN. You mean this bill is going to discourage a company like that?

Mr. DeLIO. Yes; it will just cut down on what these companies protect. When you start out with a program, there may be five different solutions you wish to protect. If you raise the fees, these companies will only protect two of them. This means that the protection for three of the solutions is lost to the particular company. In 5 years the company which decided to file on only two of the solutions might find that the third had "hit" commercially. This is the point.

Senator McCLELLAN. Let me ask you and I do not want to be interrupting you too much, but do you mean in 5 years' time—it cannot in every instance, I am sure, but in 5 years' time or 9 years' time, a business institution capable of doing a business of $10 million a year is not likely to know which patents it wants to protect and which it can forget about as not being of any consequence?

Mr. DeLIO. This is true, too, but also the other point, Mr. Chairman, is this, that at the time of the initial decision to protect, say, five alternatives, with increased fees, they will only protect two, so they will never have the protection for the other three alternatives.

In other words, for the three there is no question of maintenance fees. It is a loss in protection.

Senator McCLELLAN. Well, let me ask you, do you feel that the public at large, out of general revenue, should bear that cost for them?

Mr. DeLIO. No; I feel that the fee should be increased to some level, perhaps the 75-percent level that the Patent Office prescribes. The only thing is, I think that the three basic obnoxious portions of H.R. 8190, the maintenance fees, the filing fee formula, and the final fee formula will have a detrimental effect upon the protection of inventions in this country. I think that this is a very important factor for a country like our own. I think that there is no question that Patent Office fees will be a factor in encouraging or discouraging the protection of invention.

Senator McCLELLAN. I guess you have some clients that have patents in Germany, for instance, as has been testified here?

Mr. DeLIO. Yes; we have clients who have patents in Germany and somewhere around the third or fourth year, when the maintenance fees get up to around $100, the companies drop these patents. It is a shame. Sometimes, 10 years later, the lapsed patent, could be a very important factor in licensing a German firm and obtaining income.

Senator McCLELLAN. Would that not be an isolated situation?

Mr. DeLIO. That happens many times, Mr. Chairman. I would not say that it happens every time, but it happens a significant amount of times.

Senator McCLELLAN. I am not trying to put pressure on anyone. I am trying to get this thing in its proper perspective. Tell me this: In view of the fact that today the revenues under existing law and fees are producing only about 30 percent of the cost of operating the Patent Office, whereas 30 years ago the Patent Office, by the same fees we have now, that were enacted into law then when they were increased, would have made the Patent Office about self-sustaining and now that is dwindled down to where they are only about 30 percent sustaining—would you tell me what percentage you think would be fair and equitable for us to undertake to raise by increasing the fees in this bill or in some other legislation? What percentage do you think it is fair for the general public to bear of this and what percentage do you think should be recovered from the patentees?

Mr. DeLIO. I, because I do not mean to be an obstructionist. I will just say that I agree with the experts from the Patent Office as far as raising the level of income is concerned.

Senator McCLELLAN. That is the point I wanted to ask.

Mr. DeLIO. Seventy-five percent.

Senator McCLELLAN. This they say will actually produce about two-thirds. I am perfectly willing to settle on the two-thirds basis. I am not wedded to any given percentage. But I am trying to get clear, you are not taking the position that we should not undertake to raise at least two-thirds of the cost of operating the Patent Office?

Mr. DeLIO. No, sir.

Senator McCLELLAN. You are not opposing that?

Mr. DeLIO. No, sir.

Senator McCLELLAN. Now, we are clear and any other suggestion you have about the way to do it, I think, we would certainly be glad to hear.

Mr. DeLIO. I have worked with the attorneys in Connecticut and Senator Dodd. About 25 attorneys went through all of the pending legislation.

Senator McCLELLAN. Did you help to write Senator Dodd's bill or counsel with respect to it?

Mr. DeLIO. Yes, sir.

Senator McCLELLAN. So I take it you support Senator Dodd's bill?

Mr. DeLIO. Unquestionably I support that bill—S. 2547.

We feel that Senator Dodd's bill is well balanced. It results in more equitable sharing of the freight. I do not make distinctions and I do not think many patent attorneys or Bureau of the Budget people make distinctions between the Patent Office operations per se and the Trademark Office per se. I think that the trademark operation in the Patent Office is part and parcel of the same operation. Otherwise it is just like trying to divorce a city like St. Louis from Missouri. The Trademark Office is part of the Patent Office. The objections made to the raising of trademark fees are not well taken.

Senator McCLELLAN. I believe the testimony was of Secretary Hollomon, or of Mr. Reynolds, I am not sure which, that the Dodd bill would impose on trademarks a burden greater than the actual cost of administering them and that that burden would tend to relieve some of the costs that should properly be assessed against patents.

Mr. DeLIO. Yes; this is why I directed the above comment to that point.

Senator McCLELLAN. Do you agree that that would be true, first, under Senator Dodd's bill?

Mr. DeLIO. Oh, yes; but not by a great, disproportionate amount.

Senator McCLELLAN. Give us your explanation of it.

Mr. DeLIO. Under S. 2547 the basic patent filing and issuing fees are increased from $30 to $70. The basic trademark filing fee is increased from $25 to $60. S. 2547 adds a trademark issue fee of $25. H.R. 8190 adds a design issue fee of $10, $20, or $30, and an assignment fee of $20. The design issue fee and the assignment fee of H.R. 8190 are no less disproportionate than the trademark fees under S. 2547. I think that the really big problems with H.R. 8190 are that the filing fee formula and the final fee formula are like the iceberg. It is the two-thirds that is below the surface that I am worrying about and not the $50 and $75 charges that I can see. Under H.R. 8190 the charge is $50 plus $10 for each independent claim over one. With all due respect to the testimony of the gentleman from the Patent Office, I should like to point out that the courts do not look very kindly on dependent claims. Attorneys who litigate before our Federal courts do not like to rely upon them when they are asserting a patent. They would rather have an independent claim. Invariably, dependent claims fall by the wayside, so to speak.

So there is a tendency to put in more independent claims. Many times it is advisable or easier to put in dependent claims, but under the Commissioner's own figures—he is figuring on four independent claims—this would amount to an extra $30 fee. Under H.R. 8190 there would then be some additional amount due on claims over 10. I believe from the Commissioner's own figures which I received from the Patent Office, the average number of claims is over 10, somewhere around—this is based upon a Patent Office sampling—13 or 14 claims. So that the increase would be much more.

However, it is my understanding that these figures of an average of four independent claims, are not based upon past experience, but they are based upon what the practice will change to in the future.

In the surveys that we made in our own office and that other law firms have made, the filing fee under H.R. 8190 is going to increase from $30 under the present fee schedule to somewhere around $180-plus.

Senator McCLELLAN. The filing fee under this bill is going——

Mr. DeLIO. That is correct; under H.R. 8190 the filing fee is going to go from $30 to $180-plus. In one sampling that we had made and in one sampling, that another firm made, it went over $200. There seems to be some basis for this, because the average number of claims that are filed, by the Patent Office's own records, is somewhere around 13-plus. I would venture to say that in most of the cases, on the average, we are going to have 10 independent claims. So under H.R. 8190——

Senator McCLELLAN. Is that what brings it up from $3 to $180?

Mr. DeLIO. From $30 to $180.

Senator McCLELLAN. You said $3, I thought. That is why it kind of confused me.

Mr. DeLIO. From $30 up to $180. This is based upon past experience.

Senator McCLELLAN. Let's follow that up. How is it done? First, the filing fee is raised to $50. Now tell me how it gets up to $180 or $200?

Mr. DeLio. For that $50 you get one independent claim.

Senator McClellan. For every other independent claim, you pay $10 under H.R. 8190. That means if you had 10 more, you would add another hundred dollars on it. If you have 15 more, you would have $150 added?

Mr. DeLio. That is right.

Senator McClellan. What is now charged for those independent claims?

Mr. DeLio. There is no distinction between independent or dependent claims, Mr. Chairman. There is only a cutoff of 20 claims. In other words, after you have——

Senator McClellan. No charge is made for them now?

Mr. DeLio. If they go over 20, there is a charge of $1.

Senator McClellan. Most of them do not go over?

Mr. DeLio. No; because, you see, the average number is between 13 and 15.

Senator McClellan. So now there is no charge made.

Mr. DeLio. Ostensibly, except in an exceptional case.

Senator McClellan. So the big increase in this bill, percentagewise, is where we go from nothing to $10 for independent claims; is that right?

Mr. DeLio. That is correct.

Senator McClellan. Is that the main feature of the bill that you oppose?

Mr. DeLio. Yes, Mr. Chairman.

Senator McClellan. That is the most unsatisfactory provision of it, is it; from your standpoint?

Mr. DeLio. Well, the maintenance fees, too, but on this filing fee portion, yes.

Senator McClellan. The two things, the independent claims fee and the maintenance fee.

Mr. DeLio. And there is one other fee, the final fee.

Senator McClellan. Do we have anything left?

Mr. DeLio. Yes; there are many features of H.R. 8190 that are very good and I think they are going in the right direction.

Senator McClellan. Off the record.

(Discussion off the record.)

Senator McClellan. Back on the record. You have three areas, then, where you object—the independent claim fee, the maintenance fee, and the final fee. Those are the three areas where all of your objections lie?

Mr. DeLio. That is correct.

Senator McClellan. Do you have any objection besides that?

Mr. DeLio. No. To sum up, the overall effect under H.R. 8190 is not a fee increase of 100 percent from the present $60 level. H.R. 8190 results in an eightfold to tenfold increase in fees payable to the Government. We have $300 in maintenance fees, and therefore we have gone from 0 to $300. We have a filing fee increase which, in our best judgment, will average out to a little less than $200. It could be more, it could be less, depending upon the type of practice that an individual has. We will assume somewhere around $190 or $180, if you will.

We then have the final fee formula, which is really very serious. Under our present statute, the patentee is required under section 112 of title 35 to make a full, clear, and concise disclosure of his invention so that when the invention passes into the public domain, the people will know how to use the particular invention. On the other hand, under H.R. 8190, the patentee is going to pay heavily if he makes his disclosure too full, too concise, and too understandable to the public.

Senator McCLELLAN. How does he pay extra for that?

Mr. DeLIO. Because he is going to pay $10 for every printed page of the specification in addition to the $75 charge.

Senator McCLELLAN. What does he pay now?

Mr. DeLIO. He pays nothing for every printed page, now.

Senator McCLELLAN. Who is going to pay for it if he does not?

Mr. DeLIO. No one, but this particular fee is obnoxious and disproportionate. When a client comes into our office, he asks us about the fees. In many instances, a fee increase, even assuming the very optimistic cost figures of the Commissioner, somewhere around $500, is going to be "the straw that breaks the camel's back." Inventors are just not going to file, because you are ostensibly going from $60 in Government fees to, I would say, somewhere around a $600 level.

Senator McCLELLAN. Let me ask you this, if I may. I ask these questions to make a record and get information, not to be critical.

Mr. DeLIO. I understand.

Senator McCLELLAN. Would you have any increase or any fee at all for this independent claim?

Mr. DeLIO. No.

Senator McCLELLAN. You oppose that in toto; do you?

Mr. DeLIO. No; what I would do is decrease the number of free claims to some level below the average so that we will get people to use less claims, be less verbose.

Senator McCLELLAN. If 12 and 13 were the average now, where there are 13, you would reduce it down to, say, 8 or 9, so they would have to pay for the other 3 or 4?

Mr. DeLIO. This would help the Patent Office out. The Patent Office wants some substantive law help here.

Senator McCLELLAN. Would they take them out or would they just crowd them into 8 instead of 13?

Mr. DeLIO. It depends on the particular invention. In some you can; in some you cannot.

Senator McCLELLAN. You would simply not increase the fee there, you would simply decrease the number of free independent claims.

Mr. DeLIO. I would also increase the basic fee from $30 to $70 and the extra claim fee from $1 to $5.

Senator McCLELLAN. You are talking about the initial fee?

Mr. DeLIO. The initial fee would go from $30 to $70 under S. 2547, Senator Dodd's bill.

Senator McCLELLAN. I understand that, whereas in H.R. 8190, it would be increased only to $50?

Mr. DeLIO. But that is the part of the iceberg that you see.

Senator McCLELLAN. But we are talking about the initial fee.

That part of the iceberg is the initial fee that you see. What you are saying is that these independent claim fees are the part of the iceberg that you do not see. Is that right?

Mr. DeLio. That is correct.

Senator McClellan. Now the maintenance fee—would you have any maintenance fee at all?

Mr. DeLio. No; we would make up for that principally by upping the trademark fees, and the costs for obtaining "soft copies" of patents.

Senator McClellan. Cost of what?

Mr. DeLio. The soft copies or uncertified printed copies of the specifications.

Senator McClellan. How much would you increase those fees?

Mr. DeLio. From 25 to 50 cents. In addition, the trademark fee is presently $25 for 20 years of protection. We would raise that to $60.

Senator McClellan. From $20?

Mr. DeLio. From $25.

Senator McClellan. All right. Now let us go to the next one. You would have no maintenance fee. Let us go to the final fee. What would you propose about that?

Mr. DeLio. We would have the same thing as in the filing fee under S. 2547. With your permission, Mr. Chairman, I note that in the printing of S. 2547, the issuance fee as indicated there is incorrectly stated. Page 1 of the bill, S. 2547, Senator Dodd's bill.

Senator McClellan. The amount is incorrect?

Mr. DeLio. Yes. The first page, last line, line 11.

Senator McClellan. "For recording every assignment"?

Mr. DeLio. No. On the first page.

Senator McClellan. Oh, all right.

Mr. DeLio. That $60 should be $70.

Senator McClellan. That is just a misprint, you think?

Mr. DeLio. Yes, that is.

Senator McClellan. Of course, we shall have to ask Senator Dodd about that.

Mr. DeLio. That is a misprint.

Senator McClellan. We will consider an amendment to make it $70 rather than $60. That would have to be done with Senator Dodd's permission.

Mr. DeLio. I have not checked in with Senator Dodd, but I noticed it this morning.

Senator McClellan. As one of those who counseled on the bill, you know that this——

Mr. DeLio. Should be $70.

On page 2, line 17, there is another correction. That should be $15 instead of $50.

Senator McClellan. We have $50 here.

Mr. DeLio. That is right; it should be $15 instead of $50.

Senator McClellan. On page 2, line 17, the $50 is in error. It should be $15.

Mr. DeLio. That is readily apparent. Under a comparable section, in the trademark section, on page 4 of the bill, it says "on filing each petition for the revival of an abandoned application, $15." That is for trademarks.

On page 2, the comparable section for patents, should read the same amount, $15.

Senator McClellan. Off the record.

(Discussion off the record.)

Mr. DeLio. In Senator Dodd's bill, we would have a flat $70 fee and than a $10 charge for each claim in excess of 10. You get 10 claims free.

Senator McClellan. Instead of 20 as now?

Mr. DeLio. That is right.

Senator McClellan. And after 10, the excess would provide how much?

Mr. DeLio. In revenue?

Senator McClellan. No; I mean what is the fee after 10?

Mr. DeLio. $10.

Senator McClellan. Whereas it is $1 now after 20?

Mr. DeLio. That is right.

In my practice we do a considerable amount of foreign work and we have considerable experience with the payment of maintenance fees. The paper shuffling that will be involved in administering maintenance fees is going to be considerable for the attorneys and the Government. We do not think it is going to take $20,000 or $30,000 for the Government to administer. It may take, if they send out two notices, $75,000 or $100,000. I do not know what a computer costs to program or what it costs to maintain but there are some substantial costs that are going to be involved with the whole scheme of maintenance fees under H.R. 8190.

Senator McClellan. Let me ask you this: I made a suggestion while some of the others were testifying that possibly we should amend the bill to require a further notice after the expiration and early in the grace period. What do you think of that?

Mr. DeLio. I think that would be more equitable, but I think it supports my argument even more. It is going to cost something to send out a notice. We have approximately 50,000 patents issuing a year in this country. You see that in a 17-year period, 17 times 50,000 is going to amount to a considerable number. There will be a considerable amount of paper shuffling on each and every one of these patents for which the Patent Office must maintain a master record. In addition, individuals who are interested in finding out if a particular patent is still in force and effect, must inquire of the Patent Office.

Senator McClellan. Is that going to be very burdensome, considering the general burden of patent records and all of the technicalities and recordkeeping involved to ascertain whether an application of a particular matter is patentable or not and so forth?

Mr. DeLio. The Patent Office must keep patent records for purposes of ascertaining patent ability whether or not there is a change in the law. Under H.R. 8190 they must now add another administrative cost by reason of the maintenance fee formula or schedule.

Senator McClellan. Let me ask, then, if the testimony that they have given is correct, and I assume that it is, about Germany, for instance, where they do have these high maintenance fees, apparently it has not discouraged anybody over there.

What would you say about that? It has not discouraged our own people so much.

Mr. DeLio. I do not mean to fence here, but I would like to take another tack.

Senator McClellan. We are just all trying to be practical here.

Mr. DeLio. Right now I am concerned because we in this country are 11th in per capita applications filed. We are also fifth in per capita patents issued.

Senator McCLELLAN. Can you tell us why? We have a very liberal statute now and they are only paying 30 percent of the cost.

Mr. DeLIO. That is what bothers me. I think when we raise fees to 75 or 80 percent of the cost, it is going to have an adverse effect upon the amount of inventions that are protected. If you take a look at the figures of the thirties; during the early 1930's up until around 1936, until we got into the war situation, we had a higher level of application filing in this country. I think at one time in 1933, and I think these figures are available, we had something over 100,000 applications filed in the U.S. Patent Office. Now, with all of the increase in Government expenditures for research, I do not think that the activity of our own Patent Office has kept pace with the greater efforts being made in research and development in this country.

Senator McCLELLAN. In what way has the Patent Office failed?

Mr. DeLIO. The Patent Office has not failed. I think that attorneys' fees have gone up. I think that the attitude of the Federal courts toward patents has been rather detrimental; in only 25 percent of the cases that get to the courts does the patentee prevail.

Our own Supreme Court has not declared a patent valid and infringed, I believe, in the last 20 to 25 years.

Senator McCLELLAN. Have not what?

Mr. DeLIO. Have not declared a patent valid and infringed in the last 25 years.

Senator McCLELLAN. I do not know that this fee is going to affect that in any way, do you?

Mr. DeLIO. No; what I am saying is that we have a bad climate already, Mr. Chairman, and I think that the increase, a tenfold or eightfold increase in fees is not the solution, at least not as prescribed by H.R. 8190. I think H.R. 8190 will have a bad psychological impact upon the legal protection of inventions in this country. This is especially true for the little fellow, the very person that this bill is supposed to help. Most of the phone calls that I have received in the last 6 or 7 days have been from the small fellow. I think some of them have written to the chairman of this committee.

Senator McCLELLAN. Well, the chairman has received a number of wires and letters. I frankly have not read all of them, but we have received a number of wires and some letters regarding this bill, sufficient to indicate there was opposition and there were strong differences of opinion about it. Ultimately, I will read a sampling of these communications, at least.

But I thought there ought to be, if there can be, some explanation given in the record why the patent situation has possibly deteriorated, if I interpret your testimony correctly, in this country during the past several years when the fees are only such that they are producing about 30 percent of the cost of operating the Office. If they are deteriorating under the present fees then maybe we should not raise them. Your bill, the Dodd bill proposes to raise them in some areas at least. It may be a more equitable way, but at least it is going to raise them.

Mr. DeLIO. With all due respect to the testimony of the people from the Patent Office, Senator Dodd's bill is going to raise around $22 million.

Senator McCLELLAN. You think it would raise as much or more than the other bill.

Mr. DeLio. It would raise at the outset better than 75 percent of the cost.

Senator McClellan. They estimated about $4 million, if I remember their testimony; about $4 million difference in the two bills in revenue production.

Mr. DeLio. There will hardly be any difference and S. 2547 may even produce more revenue.

Senator McClellan. Your testimony is if there is any difference, the Dodd bill may produce more, you think?

Mr. DeLio. That is right. With the chairman's permission I would like to stop my testimony at this time and come back this afternoon, because I think there are several points that have been raised during the testimony of Mr. Hollomon and Mr. Reynolds, that I would like to mention or at least refer to besides wrapping up my own proposal.

Senator McClellan. Off the record.

(Discussion off the record.)

Senator McClellan. The Chair is perfectly willing, as indicated in previous statements to come back this afternoon and let you finish your testimony. We do hope you will, and I am sure you will cooperate to the extent of being as brief as you can, yet being concise and conveying the message you want us to receive.

The committee will stand in recess until 2:30.

(Whereupon, at 12:30 p.m., the committee recessed, to reconvene at 2:30 p.m. of the same day.)

AFTERNOON SESSION

Senator McClellan. The committee will come to order. We will resume.

Mr. DeLio, you may proceed.

I am going to ask each one to be as brief as is consistent with what is necessary to get their case presented, so that we may accommodate others who are here and who want to be heard.

All right, sir, you may proceed.

STATEMENT OF ANTHONY P. DeLIO, NEW HAVEN, CONN., CONNECTICUT PATENT LAW ASSOCIATION—Resumed

Mr. DeLio. Before recessing we were talking about the increases under H.R. 8190. I would like to recap.

Under the present law we have no maintenance fees. We are going up to $300 in maintenance fees under H.R. 8190. Whether you call it a deferral or not. It is still $300 more than what it is now.

The filing fee is going from $30 up to a sixfold to tenfold increase, or sixfold to eightfold increase, so that it is going to go up to about $180 under H.R. 8190. So we are already up to $480.

Then there is the final fee, which is based upon the number of printed pages of specification. There is a basic fee of $75 under H.R. 8190. Again we have the iceberg situation: the part that you don't see is as much as, if not more than, the part that you see.

With technology advancing and greater sophistication in inventions, descriptions become a little longer. In the survey made in our office, we found that five, six, seven pages of specifications seemed to be about

average. So again, we are up to at least a sixfold increase in the final fee. So we have another $180, and when you add this up, you come up with something that approaches $700.

The present fees are $60, and I think that this is liable to be the straw that breaks the camel's back.

On the other hand, in the Dodd bill that is before this committee, we have an average filing fee under $100—about $80—and we have an issue fee that will be under $100—about $80. We don't have any maintenance fees. These are the fees that are to be weighed against the $680 including assignment fees of H.R. 8190.

Senator McClellan. I am not quite clear. It may be clear in the record, but I am not quite clear at the moment as to how you will produce under the Dodd bill as much revenue as this other produces that you object to.

Mr. DeLio. This is done, Mr. Chairman, and this is explained in part of my prepared statement. I have the figures.

Senator McClellan. Very well. If it is in there.

Mr. DeLio. The figures from the Patent Office, all the basic volume assumptions are from the Patent Office records. In fact, I took them from the previous hearings.

Senator McClellan. In your prepared statement you have covered that clearly?

Mr. DeLio. That is right.

Senator McClellan. Counsel wishes to ask you a question, Mr. DeLio.

Mr. Dinkins. Mr. DeLio, I don't like to interrupt you, but while you are talking about these independent claims and the number of independent claims which are filed, I want to call your attention to this.

Do you have a copy of the hearings on S. 2225, of September 4, 1962?

Mr. DeLio. I believe I do.

Mr. Dinkins. Would you turn to page 90, please, table 11; do you have that, sir?

Mr. DeLio. Yes, I do.

Mr. Dinkins. I notice that this shows the average size of patents for the year 1961 for the United States, Great Britain, and Germany, and I am just confining my remarks for the moment to U.S. patents. It shows the printed pages of the specifications run 3.7 percent, the sheets of drawings 2 percent, and the independent claims 4.38 percent, and the total claims only 6.79 percent, or 73——

Senator McClellan. Are those percents or are those pages?

Mr. Dinkins. It is the average size.

Senator McClellan. What is it? What would you say that is? Is it pages or what?

Mr. DeLio. These are pages in the actual patents.

Senator McClellan. That is what I thought it was.

Mr. Dinkins. And not percentages?

Mr. DeLio. No; I don't think they are.

Senator McClellan. Printed pages it says, printed pages of the British and German patents that have been converted to the printed pages of United States. That is in a footnote right under it. That is pages.

Mr. Dinkins. Yes, sir; I stand corrected on that. I thought it was percentages.

Do you see any inconsistencies between these page figures and the averages that you have experienced?

Mr. DeLio. Yes, I do. I don't know upon what the page 90 figures are based, but the sampling in our office came out with different figures. We came out with different figures on the number of claims as filed in independent form, too, and I can only speak for my own figures. Our figures indicate that the printed pages are significantly more than the figures indicated on page 90 of the hearings on S. 2225.

I believe under the S. 2225 figures it would only amount to about less than 12, probably about 11 typewritten pages, double or triple spaced, legal size. In most cases today, at least the ones that we are filing for a wide range of technologies, the average number of pages runs considerably more. Accordingly I take issue with the S. 2225 figures.

Senator McClellan. We will inquire about the authenticity.

Mr. DeLio. It depends on your sampling and this is a problem. If we include design patents in the sampling, this will lower the average.

If patents on very simple devices, like a bow tie, are included or patents on whips, or some of the less complicated technologies, this will lower the average.

Senator McClellan. All right. Proceed.

Mr. DeLio. In turning to the Dodd bill, we have a filing fee and a final fee which will work out to less than $100 in both instances. Then we have other fees which are spread out and well balanced, and these include, of course, the increase in the uncertified soft copy costs from 25 to 50 cents.

Actually that is not a surprising increase, because if you want a patent copy fast today, as many of our clients do, you have to pay the Patent Office 50 cents for this fast service.

Senator McClellan. 50 cents?

Mr. DeLio. That is correct, to get them printed up faster, Xeroxed copies of patents, you pay the Patent Office a surcharge, and these patents come out to about 50 cents apiece.

Nobody has been deterred from buying them. Some of these patents run 20, 30, 40 printed pages, and I think that for 25 cents, the public is getting a bargain in many instances.

Senator McClellan. While this occurs to me, let me ask it.

Suppose the Senate just simply adopted the Dodd bill, and then we went to conference with it in the House, and there had to be compromises made. How do you think we might come out?

Mr. DeLio. I think you might come out very well.

Senator McClellan. Depending upon whether we could get the House to accept it. Suppose there had to be compromises in between?

Mr. DeLio. While I think Senator Dodd's bill, S. 2547, is well balanced, in my prepared statement I have an alternative to S. 2547 proposed by Senator Dodd. This amounts to amending H.R. 8190 in its most obnoxious aspects, incorporating in these amendments some of the features of Senator Dodd's bill. This results in the rounding of the obnoxious edges in H.R. 8190.

Senator McClellan. The reason I asked that, assuming we find real merit in the position you are taking on Senator Dodd's bill, and the Senate would substitute it for the House bill, and then we go into conference, I don't know that that would give us more trouble to do that, to actually substitute the enire bill.

I think it gives us more trouble in conference than it would if you had some practical ways of amending the House bill in those areas where it is objectionable to you, and if you have prepared and have in your prepared statement suggestions along those lines, I think it is very well that you did so, that we might consider them.

Mr. DeLio. Yes. On pages 8, 9, and 10 of my prepared statement.

Senator McClellan. Just so it is in there. The point I was making here, in coming here with a whole new bill, using this as an illustration, coming in here with a whole new bill, and you substitute it for the House bill and then go to conference, you have got to try to work out something in between, because it is very unlikely the House would surrender everything and just take the Senate bill, and the Senate conferees would have to try to get as much of the Senate bill as they could. So you have a problem there.

I think it would be easier and it would be more practical if we undertake to adopt or accept some of the recommendations you are making, to try to draft them on to the House bill by amendments to the House bill, rather than to substitute a whole bill for it.

Mr. DeLio. I think that I would agree with that, if it is possible. I might add that amended H.R. 8190, as suggested on pages 8, 9, and 10 of my prepared statement, based upon the assumptions that are a part of the table that I submitted with my statement, would bring in $22,260,000-plus of revenue annually.

Senator McClellan. You have covered it, you say?

Mr. DeLio. That is correct.

Senator McClellan. I am glad you have, because that makes it easier for us to consider it. I will ask the staff to examine carefully the prepared statement of the witness, so that we may be clear in our minds as to just what amendments he would suggest.

Mr. DeLio. I would like to go on with a closing statement.

Senator McClellan. All right. Just go right ahead.

Mr. DeLio. I think that some of the things that I was alluding to before the recess should be borne in mind by the committee and by the Senate. In my opinion as a practicing patent attorney, who has been in the patent field for 10 years, the state of innovation in this country is not at its best.

Senator McClellan. The state of what?

Mr. DeLio. Of innovation in this country is not at its best. In addition to that, the per capita figures on patent application filings seem to indicate that the innovators, who are also part of the public, have turned away to some extent from the patent laws as the basis for protection.

This is very unfortunate, because in the readings that I have come across to date about the Soviet Union, their system is being reversed and they are adopting what we had about 30 years ago. It seems to me that we are reversing and adopting what they had. We seem to be adopting something that they felt did not work. In 1961 they made some drastic changes. They pay their inventors for making a disclosure of invention to the Soviet.

Senator McClellan. Who did that?

Mr. DeLio. The Soviet Union. They pay the inventors.

Senator McCLELLAN. I wondered this morning if we weren't about to come to that, if we keep reducing this percentage.

Mr. DeLIO. The United States is a high cost producer committed to free trade, and has some really serious problems in the years to come what with competition with EEC, with the outer seven, and with the Communist bloc nations; we must be a nation of innovators, but that is not enough.

We must encourage and we must in fact protect our inventions. In my opinion, the additional burdens of H.R. 8190, with all due respect to the comments of Mr. Hollomon and Mr. Reynolds, would be very detrimental, would result in probably less volume for our Patent Office, and less protection for our inventions.

Since the know-how that goes along with inventing is a saleable exportable item, which can be exploited, we should discourage protection of inventions in this country, and the resultant lessening of protection for American inventions abroad.

Senator McCLELLAN. Let me ask you just one question, and then I am through.

How can we rationalize that the high cost in Germany, for instance, hasn't discouraged innovation?

Mr. DeLIO. You have a different people there. In the European Continent getting one's name on a patent means a little bit more, with all due respects to the patents that are granted in the United States, to the individual. There is more prestige and more pride in just having a patent.

In addition, I think that they have realized something that we haven't; that is, that in order for them to survive, they must pay these costs, they must protect their inventions, because they don't have the physical resources that a country like the United States has.

Their inventions must be protected, and used as the levers to make agreements with the countries that have more natural resources, and those that are better situated in connection with the making of inventions.

Senator McCLELLAN. Very well.

Are there any further questions?

Mr. DINKINS. Yes, sir.

Senator McCLELLAN. All right.

Mr. DINKINS. Mr. DeLio, I guess if there is any one statement that we can all agree on, that is that no one wants to do anything to discourage invention. We have had quite a lot of testimony indicating that perhaps the most important step in this fee arrangement is to be sure that the initial fee, the filing fee, is not placed at such a high rate as to be discouraging to the inventor, since that is his first official contact with the Patent Office.

Now, I notice in the bill which you are supporting, that you advocate a raise in the initial fee from $30 to $70, which is something more than 100 percent. I wondered just what your justification for that was.

Mr. DeLIO. Counsel, I want to say this: That actually when you look at all the particular figures, the de facto filing fee, under the alternate bill S. 2547 will be less than it will be under H.R. 8190.

Mr. DINKINS. Don't you recommend $70?

Mr. DeLio. Yes; but the $70 is almost a complete lion's share of the fee, whereas in H.R. 8190, the $50 is only the part of the iceberg that you see.

In other words, the $70 in Senator Dodd's bill is comparable to the entire iceberg.

Under H.R. 8190, the $50 charge is a third of the iceberg but two-thirds of the entire charge lies below, hidden.

Even in the House, this discrepancy was not brought out. The final fee goes from $30 to $50, but the surcharge for each independent claim is much more than the $50 charge per se.

Mr. Dinkins. Then you don't want to separate the initial filing fee from the claims situation?

Mr. DeLio. No; they are part and parcel of the same thing. If you look at H.R. 8190, in section 1 it says, "on filing each application," and the filing fee is everything included past and up to line 2, page 2. That $10 claim surcharge is part of the filing fee in H.R. 8190.

Mr. Dinkins. I will come to that in just a moment.

I take it that you heard Dr. Hollomon and Mr. Reynolds testify this morning about the importance of distributing patent information to the public.

They considered that that was an important part of the patent system, and that they wanted to encourage the dissemination of these printed patents to go all over the country to everybody that might be interested, as cheaply as possible.

I notice that under your bill, you have doubled that fee. Do I take it to mean you think by doubling the fee that you would not discourage the dissemination of that information?

Mr. DeLio. I would say that my answer to that is, Yes, you would not discourage it, because I think that you have to understand how these copies are ordered.

Most of the attorneys, or at least those I am familiar with, order these copies, in making patentability searches before the Patent Office. The charge for this service is about $50 or $60 including disbursements.

This doubling of the fee, from 25 to 50 cents is going to raise the charge another $2.

In the case of a patent collection search, where a research institute wants to look at the historical background in connection with patents in a particular field, the doubling of the fee may account for a $20 charge in a charge of $125.

So I think that while the Patent Office view, from their standpoint or from the academic side makes a point. In practice the point is not well taken. I don't think that the doubling of the cost is going to mean that much.

In fact, when we lawyers want patents today very quickly, where a client says, "I want that patent as quickly as you can get it," we pay as much as 60 cents for a copy. We obtain an airmail Xerox copy. The Xerox copy is provided by the Patent Office for 50 cents. We then pay an extra air mail charge of 10 cents, and that doesn't deter the attorney or client.

Mr. Dinkins. Aren't you talking mostly about people who actually have a patent application pending in the Patent Office?

Mr. DeLio. No, sir; I am not. I am talking about people who might be interested in a particular patentee's patent or some company's holdings in patents.

Mr. Dinkins. You gave an illustration a while ago about the increased cost of filing patents under H.R. 8190, and used a $50 filing fee and 13 independent claims coming to a total of $180.

Wasn't that the illustration you gave this morning, $50 filing and $130 for 13 independent claims?

Mr. DeLio. Yes; well, that would be under H.R. 8190. That would be $170.

Mr. Dinkins. I have $180 and $130.

Mr. DeLio. You get one claim free.

Mr. Dinkins. $170.

Mr. DeLio. Yes.

Mr. Dinkins. In how many patent applications is it necessary to have 13 independent claims, and why?

Mr. DeLio. This is the point that I was getting at.

Mr. Dinkins. I am trying to see whether your illustration is typical or whether it is very exceptional.

Mr. DeLio. No, it is typical I think that I laid a foundation for such a conclusion at the beginning of my testimony, when I stated that the dependent claim is not kindly regarded in the courts. The attorneys who are involved with litigation, do not like to rely upon a dependent claim.

In fact, the Patent Office people who drafted H.R. 8190, realized this. That is why they put section 11 into this particular bill. But that is not enough.

In other words, from the Patent Office standpoint a dependent claim is as good as an independent claim, but not in the courts. If an independent claim falls, the courts have a tendency to let everything fall that is incorporated by reference by way of a dependent claim. So most of the attorneys write their claims, except possibly in a very complicated chemical case, where you may have 60 claims, in independent form.

Now, this may suggest that some of the substantive law charges are necessary, but I don't think that they should be carried out under the guise of a fee bill. This is really my gripe, and the gripe of the Connecticut people, with section 1 of H.R. 8190. It is an attempted substantive law change. It shouldn't be done here.

Mr. Dinkins. Would you mind sending us a citation of two or three court cases in which they have established this preference for the independent claim, as you have just mentioned, so we can have the opportunity to study them, just two or three typical cases?

Senator McClellan. Write a letter about it, and we will insert the letter in the permanent record at this point. Just write us a letter and give us the information.

(The following was subsequently received and made a part of the record. The article by Mr. Robertson in the JPOS was made a part of the record by reference during the testimony of Mr. Robertson.)

MARCH 6, 1964.

Hon. JOHN L. MCCLELLAN,
Chairman, Senate Subcommittee on Patents, Trademarks, and Copyrights, Senate Office Building, Washington, D.C.
(Attention: Clarence M. Dinkins).

SIR: During the course of my oral testimony before the Senate Subcommittee on Patents, Trademarks, and Copyrights on February 27, 1964, I was asked to supply authority for the statement that dependent claims are not kindly regarded by the attorneys and the courts.

In the December 1963 issue of the Journal of the Patent Office Society (vol. 45, No. 12, pp. 828 through 832) there appears an article by a respected member of the patent bar, Mr. Lewis Robertson, concerning dependent claims. The article is entitled "Dependent Claims Based on Background Definitions," and a photocopy of the article is attached for your conveniece.

In the article, Mr. Robertson points out that the disadvantages of dependent claims are neither well known nor obvious. Mr. Robertson suggests that it is very difficult to determine in the reported decisions which dependent claims have been held invalid because the incremental addition per se over the basic claim was old.

During the course of the litigation, in *Titcomb* v. *Norton* ((D. Conn. 1959), 124 U.S.P.Q. pp. 257, 260, and 264), the writer, along with the late Richard Spencer, was faced with the problem of asserting various dependent claims against an infringer. We were satisfied with asserting only claim 7 in reissue patent No. 23,717, but since it was a dependent claim, we also asserted the independent claim, claim 6. We did this because we realized there would be some problem in merely referring the Court to a dependent claim per se among other things.

In the *Titcomb* case a considerable defense was built up against the independent claim, claim 6, during the course of the pretrial depositions and testimony at the trial. This claim was declared invalid and both the Court and the defendant summarily dismissed the dependent claim, claim 7, because of the alleged invalidity of the independent claim. While there is no statement by the Court on this point, anyone familiar with the litigation would easily conclude that the dependent claim was declared invalid because it incorporated, by reference, invalid subject matter or because the Court felt the additional element or qualification per se of the dependent claim was obvious to one skilled in the art. In the latter situation, the dependent claim would not have been considered a discrete separate entity, as should be.

While there is a paucity of cases which deal with the problem, during the *Titcomb* case I ran across a decision (which I have not been able to locate as yet) which stood for the proposition that if the independent claim was declared invalid, all claims dependent thereon (which incorporate by reference the invalid independent claim) are likewise invalid.

All this, coupled with the fact that in the United States, infringement is based upon a peripheral system of claim interpretation, makes it important that the patentee or his attorney utilize a sufficient number of independent claims varying in scope in order to obtain an adequate interpretation of the patent in any contest in the courts.

In keeping with the request of the committee, I should like to direct the committee's attention to the following authorities:

In re McCarn (41 C.C.P.A. (Patents 1954) 905, 101 U.S.P.Q. 411, n. 3), the Court of Customs and Patent Appeals said:

"Appellant argued in his brief that certain dependent claims should be considered allowable if their antecedent claims were allowed. Certainly that is sound law *but if the antecedent claims are not patentable, clearly the limitations in dependent claims are insufficient.*" [Emphasis mine.]

In *Zenith Radio* v. *Lehman* (121 F. Supp. 69 (S.D.N.Y. 1954), 101 U.S.P.Q. 238, 240, 241), the disadvantages of dependent claims are clearly evident. Notwithstanding the Court's cognizance of rule 75(c) of the Rules of Practice of the U.S. Patent Office in Patent Cases, the Court said,

"In view of this, *of the novelty of their form*, and of the context in which they are to be read, (dependent) claims 9, 19, and 20 are not unambiguous, * * *."

In *Ex parte Hansen* (99 U.S.P.Q. 319, (Patent Office Board of Appeals, 1953)), another disadvantage of the dependent claim is shown:

"Moreover such an atempt to form a dependent claim by including only portion of the parent claim is not in accordance with rule 75(c) which authorizes the use of the dependent form of claim only when the dependent claim further

restricts the parent claim. In the present instance the dependent claims, as we understand it, would be in effect broader than the parent claims. We therefore reject claims 8 and 14 under rule 196(c)."

See also: *Ex parte Brice, et al.* (110 U.S.P.Q. 560 (P.O., Bd of App., 1955) n. 1); *Ex parte Hill* (1924 C.D. 21); *Ex parte Brown* (1917, C.D. 22); and *Ex parte Sexton* (1873 Commissioner's Decision 66).

Respectfully,

ANTHONY P. DELIO.

Mr. DINKINS. Mr. DeLio, I take it you don't dispute the statement that by having a great many independent claims you do increase the volume of the work of the patent examiners.

Mr. DELIO. No, and I prescribe in S. 2547 to help the patent examiners out by reducing the number of free claims below the average number of claims filed. By the same token, we don't prescribe a reduction to a point where it—the surcharge—will discourage the filing of patent applications.

Mr. DINKINS. Would you mind telling us what your understanding is as to the meaning and purpose of the defensive patent?

Mr. DELIO. That is a rather unfortunate term. If you will bear with me, to begin with the patent interest is nothing more than a negative right. A patentee doesn't really obtain a privilege in the sense of title 5, United States Code, section 140, which was enacted in 1952. He only obtains the right to exclude others from making, using, and selling his patented invention. A person who obtains a patent from the U.S. Patent Office can walk out of the Patent Office with the grant, but he cannot necessarily practice his invention.

Senator MCCLELLAN. Cannot what?

Mr. DELIO. He cannot practice his invention. He is not obtaining any franchise from the Government that is positive. He obtains a negative one.

He can only stop others from making, using, and selling the invention set forth in the claims, and that is why the claims are critical. You can describe the moon or the entire earth in the description, but the claims are what define the metes and bounds of the property. They are akin to the metes and bounds in a deed. That is why these claims are important. He doesn't obtain a very positive right.

Mr. DINKINS. But he does go out and manufacture and sell it, doesn't he?

Mr. DELIO. Not necessarily.

Mr. DINKINS. I mean, he may.

Mr. DELIO. He may do this.

Mr. DINKINS. That is what I want to ask. In the case of the defensive patent, he does not make and sell whatever is described in that patent. He uses it only for defensive purposes.

Mr. DELIO. You can't tell if a patent is going to be defensive until after the 17-year period has run. This is what happens with both small and large clients.

They may be working on a particular gage or they may be working on a particular computer, and they may have five, six, or seven different solutions. Only one of these solutions will ultimately be used commercially. They build prototypes and they immediately cover them by filing patent applications.

Then as the art develops or as the business develops, there is one or sometimes two, if you are lucky, that develop commercially. You

have to wait until all the patents have expired before you can say whether they were defensive or not.

Mr. DINKINS. You don't think you ever take out a patent without any idea of commercializing it from the beginning? Isn't there such a thing as a defensive patent?

Mr. DELIO. I think that they are the exception. I think they are in the minority. I think they are less than 1 percent.

Going a little further, they are less than 5 percent surely. People don't take out patents just for the sake of putting money in the pockets of patent attorneys or for the sake of paying fees to the Government. They usually have a goal in mind, which is as follows:

"I have come up with something new. I want to go out and have some manufacturer produce it and obtain a royalty."

Or, "I want to produce it myself. In order to prevent people from riding in on my inventive coattails, I am patenting it."

I think there has been too much talk of defensive patents. I think it is a misnomer just as this "weeding out" business is in connection with maintenance fees.

Senator MCCLELLAN. Let me ask you something at this point for clarification, so we can move along.

Do you mean by defensive patent—let me try to illustrate my understanding—I have an invention; I am manufacturing that product according to this patent, and so forth. I discover another way to do the same thing, but by a different process, which if someone else got hold of it would be quite competitive to my business. Therefore I go get a patent on that, and hold it, so as to exclude any others from using it.

Is that somewhat of an illustration of a defensive patent?

Mr. DELIO. I would say "Yes," if it is that good. You will find out that usually two different solutions are not exactly on a par. One of them will be a little more commercial.

Senator MCCLELLAN. I don't say they are exactly on a par, the second one might be good enough to compete with the first or offer competition. One might still be a little better than the other.

Mr. DELIO. If you are saying that it is a mere improvement upon what has come before, it will probably be incorporated into the equipment of the manufacturer. If it is a completely different——

Senator MCCLELLAN. If it improves, he could modify or amend his patent so as to include the modern improvement, couldn't he?

Mr. DELIO. The only thing that is bad about the illustration is that it is not practical enough.

Senator MCCLELLAN. OK, I withdraw it. I was trying to find out what it is all about, this defensive patent.

Mr. DINKINS. Just one more thing. Do you see any difference in the impact of the maintenance fee on defensive patent and any other kind of patent?

Mr. DELIO. No, but I do see the impact upon the legal protection for inventions in this country by the use of a maintenance fee. It may be more psychological than anything else probably, but it is there.

Mr. DINKINS. That is all.

Senator MCCLELLAN. Thank you very much.

If you wish to submit any brief statement or clarification of anything you may do it.

Mr. DeLio. Thank you, Mr. Chairman.

(Subsequently the following was submitted by Mr. DeLio:)

The term "defensive patent" is somewhat of a misnomer. Loosely speaking, the patent grant is more "defensive" in nature than anything else, because it does not give the owner or the patentee the right to make, use, and sell the invention, but only the right to exclude others from making, using, and selling. In this sense the patent grant has a "defensive" aura about it.

As previously stated, clients, both large and small, do not take out patents just for the sake of paying fees to patent attorneys or for the sake of paying fees to the Government. The entire patenting process amounts to a significant investment on the part of an individual or company. Since we have an examination system in this country, it takes years to obtain a patent during which period of time (that the patent is pending) there is no statutory protection for the invention. Accordingly, patents are seldom taken out for defensive purposes.

In the case of an individual inventor, he spends almost all of his waking hours devising, improving, and building a prototype. He invariably feels that the technical solution that he has evolved has commercial value and that in order for him to preserve his rights, he of necessity must obtain a patent. Individuals usually obtain a patent with a view of either manufacturing a device or product or with a view toward licensing others to do so in exchange for a royalty.

In the case of a corporation, large, medium, or small, the processing of patent applications requires a very substantial investment. The invention must be written up and disclosed by the particular inventor on appropriate corporate forms. After it is written up, it must be screened by the inventor's supervisor with an additional expenditure of time and money. A patent committee must then review not only this particular invention, but all the various inventions that have been disclosed and make a judgment as to those for which protection should be sought. Usually a decision is made by the patent committee based upon the market potential, which in turn is based upon the novelty of the device, the sales potential, and whether or not it will become obsolete before a patent can be granted. Up to this point a significant amount of corporate inventions are eliminated. The inventor himself eliminates half of the inventions he makes in the course of his employment. His supervisor eliminates another 50 percent and the patent committee another 75 percent.

After the patent committee decides that a patent may be desirable, a patent attorney is usually called in to make a patentability search, which may or may not be accompanied by an infringement search. If the device is patentable, but infringes some outstanding patent, it may be decided not to pursue patent protection. If an infringement risk occurs, the company may have to negotiate with the outstanding patent holder to see just exactly what royalties might be payable for practicing the invention. If nothing can be ironed out and the infringement risk is serious, the inventor is told to invent something that will accomplish the same thing but which avoids infringement. In the alternative, the inventor may be told to drop the entire project.

The patent attorney usually eliminates 50 percent of the items that get through the patent committee for various reasons and once a patent application is filed, the mortality rate in the Patent Office is around 50 percent.

After the application is filed, the correspondence and work with the Patent Office can amount to a very serious investment of time, money, and energy by the applicant or his assignee in obtaining the patent. Many times patent applications are dropped, because it was decided not to produce or exploit the particular invention commercially.

This all points up that the process of patenting is enough to discourage the most determined individual or corporation, large or small, and requires a considerable expenditure of time, money, and energy. This is usually enough to discourage the pursuit of so-called defensive patents.

When a particular company is committed to a process for which they have applied for a patent, the technology and the drift of the inventors and those concerned with engineering the particular invention, are such that completely new solutions are discarded or disregarded and the energies of the individuals are directed toward improving the basic process or product. Therefore, while it is theoretically possible for a particular patentee to come up with an entirely different process which is equally competitive, this does not usually take place.

31-301—64——6

In connection with a particular technology, four or five initial solutions may be worked out by the inventor. At the time of making a decision on patenting one or all; the business may not be sufficiently developed to risk the loss of a particular solution which may later turn out to be commercial. Accordingly, in many instances, all five solutions may be protected by patent in order to insure protection for the yet-to-be commercialized invention. In this sense and in this sense only, the protection of all solutions may be termed "defensive patenting." But the conclusion as to whether it is defensive or not is not prospective but retrospective. Accordingly, at the time of patenting, before commercialization, the decision to protect all solutions, is not in reality defensive.

As regards the use of the term "defensive patenting" by the Government, this usually crops up in the activities of various executive departments of the Government. It usually provides justification for the filing of applications by the department or agency on inventions which the (private) contractor decides not to file on. Usually the contractor does not wish to file an application because "the patent protection available is too limited to be of commercial value." The department or agency files a so-called defensive patent in order to prevent third parties from asserting a claim against the Government (or contractor). Third parties working independently of the contractor and Government may later obtain patent protection on the invention in question since the use by the Government is usually not "a bar" within the meaning of title 35, United States Code section 102 (1952). In this sense the patent applied for and obtained by the Government agency or department is defensive, especially since the Government never asserts patents against private individuals.

During the testimony of Dr. Holloman from the Department of Commerce and Mr. Reynolds from the Patent Office, various points were brought up which I should like to allude to in an amplification of my written and oral presentation.

In comparing S. 2547, Senator Dodd's bill, with H.R. 8190, Dr. Holloman said that the initial filing cost under S. 2547 would be higher than that under H.R. 8190. Even based upon the modest estimates of the Commissioner of Patents, which assumes a change in the practice by the attorneys so that they will utilize less independent claims, the filing fee under H.R. 8190 will amount to $74. This is to be compared with a basic filing fee of $70 plus $5 surcharge for additional claims over 10 under S. 2547. Assuming a similar change in practice, by reason of the $5 surcharge for claims over 10 under S. 2547, the filing fee under S. 2547 will be about $70, the basic fee charge.

During the course of his testimony, Mr. Reynolds made the point that H.R. 8190 was an attempt at raising fees commensurate with the cost of the service rendered. At the outset, Mr. Reynolds made the point that the assignment fee increase under H.R. 8190 far outweighs the cost of the service. In addition, Mr. Reynolds pointed out that the Patent Office pays over $4 million to the Government Printing Office for printing patents. Based upon its (Patent Office) own volume assumptions this would mean that the cost for these patents approaches 40 cents per copy. This means that the Patent Office is sending out about 15 cents with every patent that is ordered. Since this is a large-volume item, (over 11 million patents annually), based on the 1962 figures of the Patent Office, the Patent Office should be willing to raise the cost of patent "soft" copies to 50 cents as prescribed in S. 2547. This increase will not hurt the "little fellow" for reasons previously stated. In addition, patents that are ordered in any large quantities are ordered by the large and giant corporations, foreign governments, etc. Some of the biggest customers of the U.S. Patent Office are foreign governments, including the Soviet Union.

In criticizing S. 2547, Dr. Holloman and Mr. Reynolds made the point that the trademark filing fee increase under S. 2547, from $25 to $60 and the use of a trademark issue fee of $25 outweighs the cost of processing such applications. It is submitted that if the trademark fees under S. 2547 outweigh the costs, it is not by very much. In addition, the increased trademark costs will not have the adverse effect upon the protection of trademarks. Trademarks are usually adopted and registered by a "going concern" for a "going product" or item. In fact, the trademark must be used on a product, which is shipped and sold in interstate commerce, before it can be registered in the Patent Office. In addition, most trademarks are taken out by the large companies who can well afford the increase. The rights that are obtained by statutory trademark protection are far more positive and far more tangible rights than those obtained by a patent. A trademark fee is paid for protection over a 20-year period of time with the privilege of renewing indefinitely for additional 20-year periods. After

5 years, in most instances, the trademark rights become incontestable and cannot be attacked either in the Patent Office or the courts except upon exceptional grounds.

The hidden fees in connection with H.R. 8190 are evident by the testimony of the Government witnesses. They said that in the beginning, two-thirds of the operating costs of the Patent Office will be recovered under H.R. 8190 and later on, three-fourths of assumed increased costs. It is suggested that perhaps the additional costs will be brought about by the new administrative tasks the Patent Office must assume in administering H.R. 8190. In addition, it is submitted that perhaps the three-fourths recovery of a larger operating cost will be obtained from the hidden charges in the patent filing and final fee formulas under H.R. 8190.

As to maintenance fees, they are not justified on the basis of the foreign experiences. Nevertheless (in this connection), Canada has no maintenance fees. The maintenance fees of Australia, New Zealand, Great Britain, and other Commonwealth nations are extremely low. The $300 maintenance fee for patents will not discourage the payment of such fees by the giant and large corporations. On the other hand it will discourage the payment of such fees by the individual inventor and the small corporations. The adverse effect upon the protection of inventions (in the latter group) raises serious doubts as to the efficacy of resorting to maintenance fees in this country. It is submitted that the doubt should be resolved against the use of maintenance fees and in favor of the solutions prescribed under S. 2547.

Americans are not as inventive as most Americans think. The United States is 5th in per capita patents issued and 11th in per capita applications filed. This, coupled with the fact that billions upon billions are spent by the Government and private industry on research and development, and that we employ probably the highest number of people per capita in the scientific and technical fields indicates that our statistical position may be even worse.

During several years in the thirties and forties, the Patent Office handled much more than maybe 85,000 (new) patent applications a year. In at least 1 of these years, over 100,000 patent applications were filed in the U.S. Patent Office. This was long before a Federal budget for research and development in excess of $15 billion.

In conclusion, it is submitted that it is not wise to add additional burdens to patent applicants by a tenfold increase of patent fees, from about $60 to $600, as prescribed in H.R. 8190.

Senator McCLELLAN. Our next witness is Mr. Newman, who will be accompanied by Mr. Moorhead, Mr. Earnest A. Faller, and Mr. Parker.

Are we all here, gentlemen? Will each of you identify yourselves for the record, please, beginning on my left?

STATEMENT OF MARK M. NEWMAN, CHAIRMAN, LEGISLATIVE COMMITTEE, PATENT OFFICE SOCIETY; ACCOMPANIED BY DAVIS T. MOORHEAD, PRESIDENT; EARNEST A. FALLER, IMMEDIATE PAST PRESIDENT; AND LUTRELL F. PARKER, MEMBER OF THE LEGISLATIVE COMMITTEE, PATENT OFFICE SOCIETY

Mr. MOORHEAD. I am Davis T. Moorhead, president of the Patent Office Society. We thank you, Mr. Chairman, for the privilege of appearing before you today.

With me today is Mr. Earnest A. Faller, on my far left, immediate past president of the Patent Office Society.

Also accompanying us is Mr. Lutrell F. Parker, a member of our legislative committee, who is serving in the capacity of an adviser.

All of us are on annual leave today.

As you perhaps already know, the Patent Office Society is an organization devoted to promoting the professional development of

patent examiners and the improvement of the patent system. Over 970 examiners and other professionals are members of the society.

Senator McCLELLAN. Do you have a prepared statement?

Mr. MOORHEAD. Yes, we do, sir.

Senator McCLELLAN. I see it is very brief. Do you want to read it?

Mr. MOORHEAD. Mr. Newman, on my left, will present the testimony of the society, sir. This is just more or less an introduction.

Senator McCLELLAN. Very well. Go ahead.

Mr. MOORHEAD. Our membership of 970 is approximately 83 percent of the total number of professional employees in the Patent Office.

Lastly, I would like to introduce Mr. Mark Newman, chairman of the legislative committee, who will speak on behalf of the society.

Senator McCLELLAN. All right, Mr. Newman.

You have a prepared statement. Do you want to insert it or do you want to read it and emphasize it as you read it? It is very short.

Mr. NEWMAN. It is very short, Senator, but I would like to insert it and refer to it in highlights, if I might.

Senator McCLELLAN. It may be inserted at this point. We will let you highlight it in a moment.

(Statement of Mark M. Newman is as follows:)

STATEMENT OF MARK M. NEWMAN ON BEHALF OF THE PATENT OFFICE SOCIETY, WASHINGTON, D.C., RELATING TO H.R. 8190

Mr. Chairman and members of the subcommittee, the Patent Office Society is an organization devoted to promoting the professional development of patent examiners and the improvement of the patent system. Over 970 examiners and other professionals are members of the society. This is approximately 83 percent of the total number of professional employees in the Patent Office.

The society supports H.R. 8190 because we feel that a substantial increase in fees is needed and the regulatory features of H.R. 8190 are long overdue. We believe H.R. 8190 will promote the best interest of the patent system by encouraging better practice before the Patent Office.

H.R. 8190 represents a balanced apportionment of necessary fee increases. By splitting the increases among filing, final, and maintenance fees, a more desirable cost recovery is achieved without unduly burdening the independent inventor. The final fee provision, based on the number of pages of specification and drawings, would place more of the financial burden on applications requiring large amounts of examining time and high printing costs. It may be noted that these applications normally produce more revenue for the successful applicant. The character of the proposed appeal fees would tend to encourage earlier adjudication within the Patent Office. The maintenance fee technique is a way of sharing the costs involved in the prosecution of an application by giving the successful applicant an opportunity to defer his share of the expense until such time as he is more able to pay. The independent inventor is allowed even greater deferment if his monetary return is low. As for the regulatory features dealing with the encouragement of the use of dependent claim form, we speak as experts. The use of such claims is long overdue. Claims of this nature provide for significant advantage in comprehending the claimed concept, searching the prior art for this concept, and discerning the patentable nature of the concept. These advantages would increase the productivity of the examining force and aid in the reduction of the backlog.

Patent examiners, as well as every expert committee appointed in the last 50 years to investigate the operation of the Patent Office, have recognized that dependent claim form reduces time, costs, and the complexity of the examining process. Some patent attorneys use dependent claims, but the vast majority do not. The proposed legislation would encourage the adoption of this practice, a practice which would expedite prosecution before the Office. We believe that the adoption of dependent claiming can best be brought about by making it eco-

nomically advantageous to applicants. Such an economic stimulus is provided by this bill.

We believe in the examining system; we believe in the patent system. Because we do, we think that H.R. 8190 should be passed. It provides a reasonable cost recovery, it minimizes the impact of the increased fees on the small inventor, it allocates some of the fees in proportion to the difficulty and expenses of examining, it provides deferment of fees until financial rewards can be realized, it encourages concise and succinct disclosures and the use of a claim form which clearly and accurately defines the invention for which patent protection is sought.

We urge passage of H.R. 8190.

Thank you.

Senator McCLELLAN. Counsel has called my attention to something here that I wish you would refer to. Pick up the hearings on S. 2225, if you have a copy before you, and turn to page 76, where there is some illustration of the difference between an independent and a dependent claim form.

I wish you would explain to me the difference between an independent claim and a dependent claim, so I will get a little clearer understanding of that, and let the record show it at this point. I understand you are kind of an expert in this field.

Mr. NEWMAN. I am a patent examiner, and have dealt with this; yes, sir.

Senator McCLELLAN. In your knowledge you are far above the Chairman, and I will rate you an expert.

Mr. NEWMAN. I hope I can explain this to you very quickly.

Senator McCLELLAN. All right. I seem to feel a little confused about it at the moment. Maybe no one else is.

Mr. NEWMAN. I think the easiest way to explain this, Senator, is to assume that every claim should and is required to describe some article or idea. A claim for an item of manufacture will list all the parts which are necessary to describe that item. There may be 10, 11, maybe 4, or an unlimited number of elements. So a claim to describe an article may list 30 elements and their interrelationships. Another claim might be more detailed. It might list 32 of the elements that describe the same article. It would differ from the previous claim in that it would add two more elements. Now, claim 1, which had 30 elements, would be written out listing each of the 30 elements. Claim 2, which had 32 elements, 30 of which were the same as the previous claim, could be written out listing all of the previous 30 elements all over again, and adding thereto two new elements, elements 31 and 32. That would give you two independent claims.

Senator McCLELLAN. An independent claim is where there are additional claims to the original?

Mr. NEWMAN. Additional claims, each one standing by itself.

Now, the amount of time and effort in presenting these two claims could be reduced by taking your second claim the one in which you wished to have the 32 elements presented, and have its form read:

A claim such as claim 1 wherein we have additional element 31 and additional element 32.

Senator McCLELLAN. In other words, you wouldn't have to restate the claim.

Mr. NEWMAN. Correct. You would not have to restate all the individual 30 elements of the first claim.

Senator McCLELLAN. Only by reference.

Mr. NEWMAN. Right; this would reduce the size——

Senator MCCLELLAN. You call that an independent claim?

Mr. NEWMAN. We would call that a dependent claim.

Senator MCCLELLAN. That is dependent because it is dependent upon one that existed before.

Mr. NEWMAN. Right; and this can go on and on. For example, you might have a claim of 34 elements. Instead of repeating all 34, you could have the form of that claim read: "A claim such as claim 2, wherein it has element 33 and element 34."

Mr. PARKER. If I may comment on that, please, Senator.

Senator MCCLELLAN. Will you identify yourself for the record?

Mr. PARKER. Lutrell Parker.

With your permission, Senator, if we look at page 76 of the hearings on S. 2225, we can see in the right-hand column four claims identified as 1, 2, 3, and 4. Claim 3 is the broadest of the group. If we refer to the other three claims (numbered 1, 2, and 4), we note that these three claims contain the same subject matter as claim 3, and have been written in what is called independent form. If we use the dependent form to illustrate these claims, as is shown on page 77, the same subject matter that is incorporated in the right-hand column of page 76 in independent form could be covered by using one independent claim—namely, claim 3—and three dependent claims (1, 2, and 4) which dependent claims refer to claim 3 and add to it the total of seven lines that are shown in the far right-hand column of page 77.

For example, if we wanted to add a limitation to claim 3 such as encompassed in claim 1 on page 76, we could present this claim in only two lines which are shown at the top of page 77, to wit: "A neckband as in claim 3 in which said gas cell is hourglass-shaped." Since independent claim 1 on page 76 and dependent claim 1 on page 77 are identical in content we are able to compare what is in dependent form in the upper right-hand corner of page 77 with what is in independent form in the upper right-hand corner of 76.

You can see from an examiner's point of view it would be much easier to handle the dependent claim on the upper right-hand corner of page 77 and know that it contains the same subject matter as the independent claim on page 76.

Senator MCCLELLAN. In other words, by presenting it in that way, it shows you don't have to write out in detail all that which is already established.

Mr. PARKER. That is correct.

Senator MCCLELLAN. So you just add to what exists.

Mr. PARKER. Yes, sir.

Senator MCCLELLAN. You call that a dependent claim.

Mr. PARKER. Yes, sir.

Senator MCCLELLAN. How do we get the independent claim? State that again.

Mr. PARKER. The independent claims are ones that are physically different from the dependent ones, in that they recite verbatim every element of the subject matter.

Senator MCCLELLAN. What?

Mr. PARKER. Independent claims recite, element for element, all of the subject matter of any prior claim, even though the dependent claim might distinguish from the prior claim by adding only two or three words.

Senator McCLELLAN. Two or three words?

Mr. PARKER. Two or three separate words. As you see in the left-hand column, page 77, the difference between claims 3 and 1 on page 76 is that claim 1 includes all the subject matter of claim 3 plus a few words. Dependent claim page 77 says, "Claim 3+ gas cell is hourglass shaped." Now, these few words include all the subject matter that is in independent claim 1 on page 76 wherein all the words of independent claim 3 are recopied.

Senator McCLELLAN. How does that make it independent? It seems to me like that is dependent.

Mr. PARKER. By looking at dependent claim 1 on page 77 I am showing you the only difference between independent claims 1 and 3 of page 76.

Senator McCLELLAN. Yes.

Mr. PARKER. The few words on page 77 constitute the only difference between claims 1 and 3 on page 76. In spite of that small difference, the drafter of claim 1 on page 76 had to physically copy everything that was in claim 3 to insert those three words.

Senator McCLELLAN. Then an independent claim didn't add something else to, it changes something that is already there.

Mr. PARKER. In effect it just added something to claim 3.

Senator McCLELLAN. It had to change something in the original claim, did it not? You have been adding to it, to get a dependent claim.

Mr. NEWMAN. You could either add something, Senator, or you could change one element. A dependent claim might add another element.

Senator McCLELLAN. If you change an element that makes it a dependent claim, or rather, an independent claim.

Mr. NEWMAN. A dependent claim is one wherein the difference between itself and another claim is specified only by that difference, to wit: "an item such as specified in claim 3, wherein there is a difference, this difference being"—that is a dependent claim.

Senator McCLELLAN. A dependent claim?

Mr. NEWMAN. An independent claim would include a recitation of every element and also specify the difference.

Senator McCLELLAN. Well, it gets pretty technical. I didn't mean to take a long lesson in it. Please proceed. I will grasp it as you go along.

Mr. NEWMAN. The advantage of independent versus dependent claim form is that dependent form quickly and concisely points out the difference between claims. The examiner, in his analysis of an application, has to determine what each claim encompasses. Consequently, if he can find an easy way to distinguish between claims and what they encompass, his job is made easier.

If you will look on page 75 of the same Senate report, you will see there a chart which indicates how much easier it is to analyze dependent claims as corresponds to independent claims. It is noted there that, in the average case, the time spent in analyzing claims is cut in half by use of dependent claims. This time saving is just in analyzation of claims.

The Patent Office Society supports H.R. 8190 because we believe in the examination system.

Senator McCLELLAN. You support it.

Mr. NEWMAN. We support it wholeheartedly. We believe in the patent system, and we also believe that those people who benefit from this system should pay their fair share of the burden.

Senator McCLELLAN. Are you folks practicing attorneys in this association, or do you work for the Government?

Mr. NEWMAN. We are all patent examiners.

Senator McCLELLAN. In the Government?

Mr. NEWMAN. In the Government.

Senator McCLELLAN. You have this organization of patent examiners, is that right?

Mr. NEWMAN. The organization is mainly composed of patent examiners, yes, sir.

Senator McCLELLAN. Very well. Go ahead.

Mr. NEWMAN. The examiner has the job of weighing the interest of the inventor with that of the public, and then to determine what rights belong to whom.

We feel that this bill, H.R. 8190, presents a balanced apportionment of necessary fee increases by splitting the necessary revenue between filing fees, final fees, and maintenance fees.

Senator McCLELLAN. What you are saying is you undertake to balance it, not putting too much burden on any one aspect of it.

Mr. NEWMAN. Right. We want to encourage the independent inventor. We want to encourage the patent system. And by spreading out the fees under these three main headings, we think that this bill does that. It is a well-rounded bill. It does not unduly burden anyone.

I would like to talk first, if I might, about some of the things that this bill would provide that would help us reduce the backlog and help us in our job. One of these is the use of dependent claims.

It is noted that the gentleman who testified before me indicates that where he is, in Connecticut, they file a lot of claims. I forget the exact figure.

I would like to direct the Senator's attention to page 74 of the Senate hearings on S. 2225, wherein it indicates that the average patent issued by the Patent Office in 1961 from a sampling [1] contains 6.7 claims. It has two sheets of drawings, and approximately three and a half to four pages of specifications.

Senator McCLELLAN. Mr. DeLio seemed to think——

Mr. NEWMAN. I think Mr. DeLio's problem in Connecticut is something that we would like to alleviate. We would like to see more dependent claims and less independent claims. We would like to see shorter and clearer specifications. Mr. DeLio seems to be going in the other direction, making our job harder, making it longer for patents to be issued, and, consequently, I think what he shows in his firm is a prime example of things that we think this bill will alleviate.

Senator McCLELLAN. I am getting back to these claims now. He said the average was somewhere around 13; is that correct?

Mr. NEWMAN. He indicated that the average number of claims that he had in his firm was 13. This appears to be greatly over the average of the sample that we have here.

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[1] Editor's note: These figures are not from a sampling, but are from an analysis of all the patents issued in 1961.

Senator McCLELLAN. What I am trying to get at, I know he had the average of about 13. What I am trying to get at is what is the actual average, so we can be sure now what we are weighing. How did you arrive at the average? What do you say the average is?

Mr. NEWMAN. According to the random sampling taken by the Patent Office, the average is 6.7 claims.

Senator McCLELLAN. 6.7?

Mr. NEWMAN. Right.

Senator McCLELLAN. Now, when was this random sampling made?

Mr. NEWMAN. This is a 1961 sample. It was made in 1962.

Senator McCLELLAN. Made in 1962?

Mr. NEWMAN. Right.

Senator McCLELLAN. From applications received in 1961?

Mr. NEWMAN. From patents of 1961.

Senator McCLELLAN. Patents actually issued?

Mr. NEWMAN. Yes, issued in 1961. I don't know whether you have——

Senator McCLELLAN. Would you say now that would be a fair cross section?

In other words, take a whole year and analyze the number of claims, and so forth. That would be a fair way of arriving at a general average?

Mr. NEWMAN. Yes; it would.

Senator McCLELLAN. If it is going to be questioned, I want to be sure about it.

Mr. NEWMAN. This data was presented in former Commissioner Ladd's statement to this committee in the hearing on S. 2225. I do not know who the people were that gathered the data.

Senator McCLELLAN. In other words, I am going to let it stand at the moment without further interrogation about it, but if it is seriously questioned as we go along here in these hearings, then I am sure the committee will want the best proof we can get as to its reliability.

Mr. NEWMAN. I am sure that you will be able to get that, Senator.

Senator McCLELLAN. Very well. Proceed.

Mr. NEWMAN. And we will attempt to get a clarification of this, and we would like permission to insert it.

Senator McCLELLAN. When you get a clarification it may be inserted in the record.

(Subsequently the committee was supplied the following statement by Mr. Newman:)

The figure of 6.7 claims was obtained by averaging the number of the claims of all the patents issued in 1961.

Senator McCLELLAN. It occurred to me that an issue had been raised as to the number of these claims. I think in Senator Dodd's bill he proposes that you get 10 of them free, was it, and then after that you would pay a fee. Was it 10?

Mr. NEWMAN. The bill indicated 10, and Mr. DeLio indicated that this would not be enough, that he would even go over that. I think he indicated about 13 was the normal that he expected.

Senator McCLELLAN. That was the number, but he was cutting down the number of independent claims allowed before an additional charge is made. Presently 20 are allowed.

Mr. NEWMAN. Right.

Senator McCLELLAN. He was cutting that down below the average. He said the average was 13, and he was cutting it to 10 as I remember.

Mr. NEWMAN. I believe that is correct, Senator.

Senator McCLELLAN. Yes. What you are saying is if this sampling you referred to holds up as reliable, then it would be a most exceptional case, not the average but the exceptional, and unusual, where you would ever get any fee under the Dodd bill?

Mr. NEWMAN. Yes. It would be the exception. It would not be the average. You may be interested in the hearings on H.R. 10966 before the Committee of the Judiciary, House of Representatives. On page 92 thereof they have a breakdown of some 996 patents in a 1961 sample indicating how many claims each patent held, and to give you a rough approximation——

Senator McCLELLAN. That is a House hearing?

Mr. NEWMAN. That was a House hearing.

Senator McCLELLAN. Whose testimony?

Mr. NEWMAN. This was once again former Commissioner Ladd's testimony.

Senator McCLELLAN. All right, we will let that part of the hearings, if it is pertinent, and I believe it is from what you are about to testify, be incorporated in the record here at this point. That is a House document that might or might not be available.

Mr. NEWMAN. Thank you, Senator.

(The matter referred to follows:)

HEARINGS BEFORE SUBCOMMITTEE NO. 3 OF THE COMMITTEE ON THE JUDICIARY, HOUSE OF REPRESENTATIVES, 87TH CONGRESS, 2D SESSION, ON H.R. 10966, APRIL 19, 1962, SERIAL NO. 26, ENTITLED "PATENT OFFICE FEES"

TABLE 8.—*U.S. patent characteristics (1961 sample)*

Claims	Total patents	Independent claims (average)	Columns of specification (average)	Sheets of drawing (average)
001	79	1.0	3.1	1.5
002	100	1.7	3.8	1.5
003	92	2.2	4.8	1.7
004	120	2.9	4.9	1.9
005	99	3.5	4.9	1.9
006	72	4.9	5.6	1.6
007	76	4.3	5.6	1.5
008	67	5.2	6.2	1.6
009	46	5.4	6.3	1.4
010	49	6.4	7.1	1.5
011	28	5.1	6.2	2.2
012	30	6.2	6.3	2.5
013	19	7.2	8.2	3.1
014	14	9.8	9.7	2.1
015	9	8.7	12.5	2.5
016	15	8.7	8.2	2.4
017	9	13.6	10.6	3.3
018	6	9.5	18.5	7.3
019	6	11.3	21.5	11.1
020	8	12.5	8.7	2.6
021	5	13.3	16.1	1.3
022	3	13.1	13.2	2.1
023	2	13.0	19.0	7.0
024	2	11.1	9.0	3.0
025	3	19.0	22.2	6.1
026	2	13.0	15.0	7.1
028	1	10.0	79.0	4.0
029	2	12.0	12.0	6.1
030	1	13.0	14.0	5.0
040	1	20.0	22.0	5.0
Total	966	4.4	6.1	2.0

Prepared by U.S. Department of Commerce, Patent Office (1962).

Mr. NEWMAN. This chart indicates that most applications for patents have less than 10 claims, and the number of patents that have more are very few and far between. For example, those that have more than 20 claims out of this 996 amount to approximately 20.

Senator MCCLELLAN. Twenty?

Mr. NEWMAN. About 20 have more than 20 claims.

Senator MCCLELLAN. About 20 out of a thousand?

Mr. NEWMAN. Right, which is a very small number.

Senator MCCLELLAN. That had over 20.

Mr. NEWMAN. Right.

Senator MCCLELLAN. What does it show that had over 10, what percentage?

Mr. NEWMAN. About 150.

Senator MCCLELLAN. About 15 percent in round numbers?

Mr. NEWMAN. Right.

Senator MCCLELLAN. That had over 10?

Mr. NEWMAN. Right.

Senator MCCLELLAN. What does it show the actual average is? Does it show?

Mr. NEWMAN. I believe the average—it does not specify the average, but I believe that same sampling was used in the other testimony which gave it to be 6.7.[2]

Senator MCCLELLAN. 6.7. That is what has been given here. Very well, go ahead.

Mr. NEWMAN. We would like to show that with this simplified claim usage, that is by the use of dependent claims, our job would be a lot easier. We would be better able to serve the public, and the service that we would do would be quicker and the patents would get out earlier.

As you know, a patent is valuable for 17 years. If we can get the patent out a year earlier, the public is entitled to it a year earlier.

Senator MCCLELLAN. You are just interested in making your job easier?

Mr. NEWMAN. No; we are interested in being able to do a better job for the public. If we can get these patents out quicker, the public can use them faster and it would benefit the public to have this knowledge before them.

Senator MCCLELLAN. If you get them out quicker, that means they are less expensive too, does it not?

Mr. NEWMAN. Yes; it does.

Senator MCCLELLAN. You can turn out a greater volume.

Mr. NEWMAN. Yes; we can.

Senator MCCLELLAN. In other words, where you could process a thousand a year, if you can improve and speed it up, why you can process 1,200.

Mr. NEWMAN. We could increase the number. I think that Congress would be quite happy to see the backlog reduced some.

Mr. MCCLELLAN. Sir?

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[2] The subcommittee was subsequently advised by Mr. Newman that "This is not correct. This sample shows it to be 5 while the total compilation of all patents issued in 1961 shows it to be 6.7."

Mr. NEWMAN. I think that Congress would be quite happy to have the backlog reduced some. This would be one way of helping us do it.

Senator MCCLELLAN. I imagine the applicants would like to have it reduced too, so they can get quicker service.

Mr. NEWMAN. I would think so. We would like you to note that in H.R. 8190, the initial filing fee has been increased very little, $50 as opposed to the now present $30.

Senator MCCLELLAN. I understand that, and that is not of any great significance, but the attack is made on the bill and what has been referred to as the two-thirds of the iceberg that doesn't show there, and that comes to $10 for each claim.

Mr. NEWMAN. Yes. Well, if by this bill we can encourage the use of dependent claiming—now dependent claiming does not detract from the applicant's invention or protection at all.

Senator MCCLELLAN. This is only for independent claims, this $10?

Mr. NEWMAN. The $10 is only for independent claims in excess of one.

Senator MCCLELLAN. In excess of one?

Mr. NEWMAN. Right.

Senator MCCLELLAN. It doesn't apply to dependent claims at all?

Mr. NEWMAN. It does not apply to dependent claims.

Senator MCCLELLAN. Are you saying then that as a practical matter many dependent claims can be made instead of independent claims, and thus reduce the workload and also reduce the cost?

Mr. NEWMAN. Right.

Senator MCCLELLAN. Is that what you are trying to say?

Mr. NEWMAN. Yes; it is. It would not only reduce the cost to the Patent Office in the examining process, but would reduce the cost to the applicant in filing.

Senator MCCLELLAN. Is it just a matter of the skill of an attorney to draw it up? Is that what is involved here?

Mr. NEWMAN. It is the matter of the attorney wanting to draw it up in this manner. We have plenty of attorneys that rather than draw dependent claims will just repeat the same thing over and have independent claims. These dependent and independent claims are exactly identical.

Senator MCCLELLAN. What apparently is needed here, I don't know this is necessarily so, but it might be well for patent attorneys to get educated as to how they can save money and expedite their own work.

Mr. NEWMAN. I think this will act as a very good financial stimulus to the patent bar. In other words, for $50 a man could file a case with one independent claim and nine dependent claims. Certainly the difference between this and the present $30 filing fee, and I would like to note at this time that these 10 claims are much more than the average patent has, certainly would not discourage any person from wanting to file. It would not act as a deterrent.

Senator MCCLELLAN. The only thing here that I would immediately raise a question about, and I don't know this, but I would want to be reassured that you can get a patent application properly before you for examination and adjudication, and so forth.

Mr. NEWMAN. Under the present proposal here, H.R. 8190.

Senator McCLELLAN. Is it the independent claim for which there is going to be a charge or the dependent claims?

Mr. NEWMAN. The independent claims.

Senator McCLELLAN. The independent claims. What I am getting at, can one get his application adequately presented?

Mr. NEWMAN. Yes.

Senator McCLELLAN. Prepared and presented with dependent claims instead of independent claims?

Mr. NEWMAN. Yes, he can. In many cases they do, but not enough.

Senator McCLELLAN. Then where does the fault lie, with the lawyers that are practicing in this field?

Mr. NEWMAN. Yes. I think that it would take in some cases effort to present them in dependent form. Sometimes the lawyers——

Senator McCLELLAN. The lawyer can charge his client just as big a fee for a dependent or independent claim, can't he? It would make no difference there; would it?

Mr. NEWMAN. I suppose he could. I am not familiar with how they charge their clients.

Senator McCLELLAN. I am just trying to think out loud.

Mr. NEWMAN. But there is no reason why they cannot use dependent claims. They have not because lawyers, for some reason, do not like this form, and consequently they have not used it. There is nothing wrong with this form.

The last provision in the bill H.R. 8190 makes it absolutely clear to the courts, and the courts are bound to follow the law, that this dependent form does not jeopardize any rights. So that any dissatisfaction with the dependent form, as far as the courts are affected I think is without validity.

I would like to state that therefore an applicant could present a case for $50 and get it fully examined. He could have 10 claims in the case and get these fully examined by the Office down to a notice of allowance.

Senator McCLELLAN. Provided he can get nine of them in dependent form?

Mr. NEWMAN. In dependent form, right.

Senator McCLELLAN. Provided.

Mr. NEWMAN. Provided he can get them in dependent form which should not be hard to do for a skilled member of the bar, and I think that they will agree to that.

Senator McCLELLAN. I am afraid that may become an issue, a matter of disagreement as we proceed. I hope not.

Mr. NEWMAN. I doubt very seriously that the bar will admit that they cannot write dependent claims.

Consequently, for $50 the inventor can get his case processed to issue, not issued. This is an increase of $20 over the present fee. Now what we want to do is encourage invention. This certainly encourages it. This increase in fees is nowhere near the increase in the cost of living since 1932.

Now our basic premise is that the people who benefit from the system should bear their fair share of the burden. This is what this bill proposes to do. It charges a fee on the complexity of the patent when it

goes to issue. At issue time the provisions of the bill would call for a charge of $10 per page of specification, and $2 for a sheet of drawings.

Senator McCLELLAN. What are the present fees?

Mr. NEWMAN. There is only an issue fee of $30.

Senator McCLELLAN. Just a flat $30?

Mr. NEWMAN. A flat $30.

Senator McCLELLAN. Regardless of how much work is involved?

Mr. NEWMAN. Regardless.

Senator McCLELLAN. In the drawing?

Mr. NEWMAN. You may have a 500-page specification or you might have 1 of 2 pages.

Senator McCLELLAN. It costs the same?

Mr. NEWMAN. All the same, no distinction.

Senator McCLELLAN. Now?

Mr. NEWMAN. Now.

Senator McCLELLAN. What do you propose in the bill?

Mr. NEWMAN. The bill proposes to charge $75 plus $10 for each page and $2 for each sheet of drawings. Now, at first glance——

Senator McCLELLAN. As against $30?

Mr. NEWMAN. That might sound high, but if you will turn to page 75 of the same Senate hearings on S. 2225, the average patent has approximately 3½ pages, which is not a great deal of money.

Senator McCLELLAN. That costs $75 for 3½; do you charge for a full page when it is half a page? I guess you do.

Mr. NEWMAN. Right.

Senator McCLELLAN. That would be $115 for the average patent?

Mr. NEWMAN. Two sheets of drawings would bring it up $4 more.

Senator McCLELLAN. Four more dollars?

Mr. NEWMAN. Yes. It should be noted that the cost of printing, the physical printing of the patent, is $14 and some-odd cents per page, so the $10 cost is really less, not even recovering what the cost is. To print and process a patent costs, I believe, $63, so the bill is not requiring anything more than that the person who is successful—not the person who is unsuccessful but the person who is successful—pay his fair share of what it costs to print the patent.

Senator McCLELLAN. In other words, he is not out this expense unless he gets a patent?

Mr. NEWMAN. Right. He is not out. He can try to obtain a patent for almost nothing—$50.

Senator McCLELLAN. If it finally winds up as just an exploratory unsuccessful effort——

Mr. NEWMAN. He has an examination at a bargain price.[3] The maintenance fees is another way to further put off the payment of expenses until those people that obtain patents can reap their reward.

Senator McCLELLAN. How is that now? Say that again.

Mr. NEWMAN. It is a method whereby a person can put off paying his fair share until such time as he has been able to reap a financial reward. For example, no one would have to pay any maintenance fee until 5 years after the patent has issued. So he has from 0 years

[3] Mr. Newman subsequently advised the committee: "It should also be noted that the longer and more complicated a specification is, the longer it takes for an examiner to process the application. The increase in issue fees will encourage applicants to be more concise and thus decrease the time required for the examination process."

to 5 years to try and make money on this patent before he even has to pay a maintenance fee.

Senator McCLELLAN. If you required that he had not received more than $50 at the end of the first period, and so forth.

Mr. NEWMAN. Right. In effect, that is what it is. If he is an independent inventor and he doesn't make any money, he can put off all maintenance payments until the 13th year. What we have done here is this: The bill only requires an extra cost from that person who is successful. In other words, if the person is not successful and he wants to bail out anywhere along the line, as far as paying his fair share, he is ahead of the game. We are only getting the fair share portion of it, and then only the majority of it, from the person who is successful and wants to keep his patents.

I think that something should be noted at this point, that most patents—there was a study made by the George Washington Patent Trade Mark and Copyright Foundation, and they found that of those inventions which are both exploited and patented by corporations, 40 percent are commercially exploited before the application is filed, and 50 percent are commercially exploited for the first time during the pendency of the application, and only 10 percent after the patent is issued.

So it would indicate that the maintenance fee provisions of this bill, which are mandatory for corporations since they don't have the ability to defer them if they are not making money, really are not so harsh, because most of the patents, if they are going to be commercially successful, are commercially successful long before any payment is due under this provision.

Senator McCLELLAN. Let me ask you this: We have a lot of talk these days about discrimination. Why are we discriminating against a corporation here?

Mr. NEWMAN. We are not discriminating against a corporation. If the corporation takes assignment of this patent, it indicates that it is something of value. It would not take it if it didn't have value.

Senator McCLELLAN. They thought it had value but they might have made a mistake. Here is something that looks like it may be good. "We had better buy this, we had better get in on this quick." Then it turns out to be no good.

Mr. NEWMAN. Then what have they put out, they have 5 years to find this out, and according to this study by the George Washington University, that is plenty of time.

(Discussion off the record.)

Senator McCLELLAN. Back on the record.

Mr. NEWMAN. I would like to also point out that there are other provisions in the bill. One of them is the appeal fee.

Senator McCLELLAN. The what?

Mr. NEWMAN. The appeal fee; after the application is examined by the examiner and reaches a final point, his decision may be appealed to a board of appeals. At the present time the appeal fee is $25. This bill proposes to raise it.

Senator McCLELLAN. Who has to pay that?

Mr. NEWMAN. This is an applicant fee for filling an appeal.

Senator McCLELLAN. This is where he is rejected.

Mr. NEWMAN. Where he is finally rejected.

Senator McCLELLAN. He is the one that can appeal.

Mr. NEWMAN. He can appeal; the appeal fee presently is $25. It is proposed to raise it to $100, with the following provision: When an applicant appeals, he can request an oral hearing before the Board of Appeals. This takes time and effort by the Board.

Senator McCLELLAN. Can he do that now?

Mr. NEWMAN. He can do that now. What this bill provides is that they will charge an applicant $100 for an appeal, but if he does not go to oral argument, if he does not request the Board to decide the merits, with an oral hearing, he will be refunded $50. Once again with this provision if the applicant wants this extra, he should have to pay for it.

Senator McCLELLAN. What is that inducement, to get him not to appear in person and argue the case?

Mr. NEWMAN. Fifty dollars. Consequently we can expedite the processing of his appeal, because we have other boards that have one member of the Board of Appeals, and several senior examiners.

Senator McCLELLAN. I don't know that I like that particular provision. It seems to me that if you have to raise the appeal fee, all right. I know in the past, we have had inventors who really had something and had an awful hard time convincing anybody they had something.

Mr. NEWMAN. Yes.

Senator McCLELLAN. So I do think a fellow who has a deep conviction about his discovery should have the right, if he wants to, to appear in person and argue.

Mr. NEWMAN. This bill gives him the right to do that.

Senator McCLELLAN. But you are putting a little penalty on him. He has to pay a $100 fee if he does that, doesn't he?

Mr. NEWMAN. Yes, he does.

Senator McCLELLAN. He has to pay $50 more than he would if he just went on a straight appeal?

Mr. NEWMAN. If he went by straight brief to the Board.

Senator McCLELLAN. I don't know, I am not so keen about that. Let him pay if it takes $50 or $75, let him pay his part of the cost, I mean to bear his share of it.

I am not making a final decision on it. I have a little reservation, I will put it that way, about making the fellow pay, penalizing the man for coming in and appearing in person to argue his case. That is what he is doing. Have you thought about it that way?

Mr. NEWMAN. Well, the point is that he can argue his case. I will admit——

Senator McCLELLAN. He can argue it in writing.

Mr. NEWMAN. He can argue it in writing.

Senator McCLELLAN. By brief.

Mr. NEWMAN. And his attorney can do it.

Senator McCLELLAN. But you know even the courts do permit oral arguments.

Mr. NEWMAN. I know the courts do. I wish that the Appeal Board would allow the examiner an oral argument too.

Senator McCLELLAN. Don't they give you a fair chance?

Mr. NEWMAN. No; and we can't even pay $50 more and get it.

Senator McCLELLAN. So even at $50 you think he has an advantage?

Mr. NEWMAN. He has a great advantage.

I want to make clear that as far as the dependent claims section of this bill goes, that to alleviate any misunderstanding from the bar, the last provision in this bill requires that these dependent claims have a full status of independent claims. I think that pretty well would alleviate any——

Senator McCLELLAN. In other words, they have an equal status.

Mr. NEWMAN. They have an equal status.

Senator McCLELLAN. Their prestige is lifted by law to that comparable to the other.

Mr. NEWMAN. Right; I would like to go on and note the fact that the Patent Office fees have not been increased, have not been changed——

Senator McCLELLAN. Since 1932.

Mr. NEWMAN. Since 1932, and we think that a fair return should be obtained. We think that this bill makes no discrimination against anyone. It is easy to file a patent. It is only those people that are monetarily going to benefit, or who have a reason to think that they are going to monetarily benefit, that must pay their fair share. The rest get a bargain. This bill does that.

In contradistinction to that, I think that Mr. Dodd's bill, S. 2547, does not do this. Immediately he charges $70. This increases the cost to everyone regardless of financial rewards.

We want to encourage invention. We don't want to discourage it. We want to give everybody a fair chance.

I notice the gentleman who talked before me mentioned that the inventor in Europe received more prestige with his patents, and I questioned that. I would like to say, why doesn't the inventor in this country have as much prestige? I think he does have as much prestige. Why aren't we more inventive? Well, maybe we are not more inventive because some of the things that we think of have been thought of before. We have many more patents. We have a much more rigorous examination system than most foreign countries. Our patents have a presumption of validity when they are issued. We have prestige. We have a much more prestigious product I think.

Senator McCLELLAN. What do you think of his statement that they have greater prestige abroad? Do you think he is in error?

Mr. NEWMAN. He states that they have a higher per capita.

Senator McCLELLAN. What?

Mr. NEWMAN. His statement was they had a higher per capita issuance of patents and that was due because of more prestige. What I am trying to say is we have a higher quality product, hence we don't have as many patents per capita, and we have more prestige. I would like to think that a U.S. patent is a more prestigious product.

Senator McCLELLAN. It is a matter of difference of opinion of two witnesses here about prestige.

Mr. NEWMAN. I would think that an inventor would have lots of prestige. I think a patent is a very prestige item to have.

Senator McCLELLAN. I feel like I would have some prestige if it is profitable.

Mr. NEWMAN. I can find no argument with that, Senator.

I would also like to point out that there has been criticism raised that this bill provides too abrupt a change and drags everybody headlong into a bankrupt situation. These maintenance fee provisions don't even start until 5 years from the time of issue, after the bill

becomes law. Then no additional payment is due until 9 years and then a 13-year period from the time of issue.

That is a lot of water under the dam from now. Not only that. The previous testimony has picked on the maintenance fees provision, and everyone has said, "Well, look, it is going to cost everybody the first fee, the second fee, and the third fee," but not all patents will go to the first, second or third fee. Some of these patents will be dedicated to the public. The public will be able to use them earlier because the inventor will no longer believe that they are economically feasible for him to keep.

Senator McClellan. When they are dedicated to the public, of course, there is no maintenance fee at all.

Mr. Newman. Right. What I am trying to say is that the number of patents that will remain in force and thus require a 5-, 9-, or 13-year fee will be decreased. These patents will not only get out to the public, but they will get out to the public much earlier and the public can use them earlier. I think this is an economic stimulus that ought to help encourage more invention, because people can use these things earlier and they can improve on them.

In summary I would like to just state that the use of the dependent claims will save us time, will save costs, and will save in the complexity of the examining process. We think that this bill encourages the use of dependent claims. It will benefit the public by allowing us, the examining corps, to get their patents out quickly.

This bill provides a reasonable cost recovery. It minimizes the impact of the increased fees on the small inventor. It allocates some of the fees in proportion to the difficulty and expenses of examining.

It provides deferment of fees until financial rewards can be realized. It encourages concise and succinct disclosures, and the use of a claim form which clearly and accurately defines the inventions which patent protection is sought. The society urges passage of H.R. 8190, and we thank you for being allowed to appear.

Senator McClellan. Thank you very much. Any questions?

Mr. Newman. Thank you, sir.

Senator McClellan. The next witness is Mr. Foote, of the National Association of Manufacturers. Come around, Mr. Foote. Very well, sir. You have a prepared statement.

STATEMENT OF FRANK E. FOOTE, ASSISTANT SECRETARY AND CORPORATION PATENT COUNSEL OF MINE SAFETY APPLIANCE CO., NATIONAL ASSOCIATION OF MANUFACTURERS, PITTSBURGH, PA.

Mr. Foote. Yes. I would like to have it admitted for the record, please.

Senator McClellan. It may be inserted in the record in full.

(The statement of Mr. Foote follows:)

Statement of Frank E. Foote, on Behalf of the National Association of Manufacturers, on H.R. 8190, To Fix Patent Office Fees

My name is Frank E. Foote and I am assistant secretary and corporate patent counsel for the Mine Safety Appliances Co. in Pittsburgh, Pa. I am chairman of the Patent Office Affairs Subcommittee of the National Associa-

tion of Manufacturers and am testifying today as spokesman for the association. The National Association of Manufacturers is a voluntary organization of industrial and business firms, large and small, located in every State, which vigorosuly support principles that encourage individual freedom and which through the association develop and engage in sound programs for the advancement of the economic well-being and social progress of the American people.

At the outset it should be noted that the association approves the objective of H.R. 8190 to realize substantially increased revenue to cover a greater portion of the costs of the Patent Office leading toward the issuance of patents. To accomplish this end the NAM favors increasing the presently existing fees charged by the Office. We do not agree, however, with the proposal to realize a part of the projected increased revenue by the imposition of maintenance fees on issued patents. We are, therefore, opposed to H.R. 8190.

Our objection to maintenance fees is largely grounded on the fact that they would impose upon the U.S. patent system certain requirements derimental to the desired objectives of the system, merely to obtain increased revenue. This does not seem desirable when the objectives can be maintained by increasing existing fees within operating structures.

It should be kept in mind that the patent system was set up for the benefit of the public and not any class of individuals. The public benefits from the disclosures in all patents, and benefits mostly from the disclosures in patents on advance inventions which are not available commercially. Others may then utilize such information in additional work to make further or alternate inventions. This results in a continuing stream of more useful devices for the benefit of the public which would stimulate business employment. If these disclosures are not made, it follows that the public is the loser.

Maintenance fees not only will tend to discourage the filing of patent applications in general, but particularly, will discourage the filing of patent applications on inventions which result from advanced development and research and which are "ahead of their time." Patents will continue to be taken out on detailed designs of products which are being placed on the market since it will be known that the sales will justify paying the fees. In contrast with this, it will be hard to justify filing on inventions, the commercial future of which is unknow, if the threat of future payments is present. Once a patent is dropped, then even though some need for the invention may be considered, incentive to invest is curtailed.

There are other specific objections to maintenance fees which are quite serious. One is that they will greatly complicate matters from the standpoint of administration insofar as all patent owners are concerned. It will be necessary to maintain accurate records and exercise care to bring up in good time the fee due. In addition, individual inventors and others who resort to outside counsel will have to employ such counsel to advise and help make the hard decision as to whether the patent should be permitted to lapse or whether the required amount should be paid in the hope that commercialization will result before the next maintenance fee is due.

At this point it should be noted that there seems to be belief in some quarters that small businesses and industries will be helped by this legislation. To the contrary, whatever payment delays are afforded to an "inventor-owner" are not available to small businesses or any others. Moreover, whatever considerations there are in holding down initial fees would certainly be offset by the types of expenses referred to in the previous paragraph that would be required ultimately.

From the Patent Office standpoint, it has been said that there would be no great increase in administrative costs which would cut down on any revenue realized from maintenance fees. To the contrary, since the bill requires notification by the Patent Office to patentees, it is believed that there will be substantial administrative expense to cover this item alone. Updating of addresses of patent owners would be a constant source of time-consuming expense. Based on the rate at which patents are presently issuing, it is conceivable that ultimately 1,500 to 2,000 letters would have to be sent out weekly. Moreover, owner-inventor requests for payment delays would complicate administrative decisions and actions. Further, arrangements would have to be made to handle fees paid. Records would have to be kept with strict accuracy so that the public including inventors and businessmen could determine which patents had lapsed and which were still in effect. These records should be in such detail that any determination could be made readily without additional cost to those interested

in having such information. Obviously, all this will involve appreciable administrative costs.

Another objection to maintenance fees is that there is considerable doubt as to how much revenue would be raised since it is difficult to determine how many patents would be maintained or how much the revenue would be 5, 9 or 13 years in the future. Also, if maintenance fees are utilized, the desired revenue goals cannot be achieved for 13 years. Increasing fees within the present structure would, of course, result in money returns without years of delay.

For many years the patents committee of the NAM has strongly supported the efforts of the Patent Office in its worthy attempts to increase its overall efficiency and to reduce its work backlog. In making a recommendation for increases within the existing fee structure, we have devoted serious consideration to the problems of individual inventors as well as to applications and issuances involving companies and their employees. We are of the firm belief that an increase would be fair and reasonable to all concerned. It is very unlikely that discoveries or inventions of any value will be lost to the public by the requirement of an increase in fees, which have not changed in over 30 years. In summary, we believe the patent system of the United States stands to be best served by legislation based on fee insurances within existing structures rather than attempting to institute a maintenance fee system.

Senator McCLELLAN. Go right ahead. You may highlight it.

Mr. FOOTE. My name is Frank E. Foote, and I am assistant secretary and corporate patent counsel of the Mine Safety Appliances Co., which is a company of about 2,000 employees in Pittsburgh. I am also chairman of the patent office affairs subcommittee of the National Association of Manufacturers, and I am here today to speak for their position.

May I say at the start that we are completely sympathetic with the objective of H.R. 8190, which is to provide increased revenue through the operations of the Patent Office. We do not favor maintenance fees on issued patents to accomplish this. Therefore we are opposed to H.R. 8190.

Senator McCLELLAN. Is your opposition just to that provision of it or do you go further?

Mr. FOOTE. We favor what we consider a more simple and direct approach, and that is namely the increase of existing fees. This approach will bring in the money immediately.

The system is well known and tried and true, and it will not create, we don't feel, any undue burden on individual inventors and others who own patents.

Now on that point, just for a minute, I think in Commissioner Reynold's statement, in his written statement, he says that if you were to drop the maintenance fee provisions of this bill, you could get the same amount of revenue, I believe this is right, by increasing the filing fee. If you just tack it on that one point from $30 to $84, so that there is——

Senator McCLELLAN. Who said that?

Mr. FOOTE. I think Commissioner Reynolds says that in his printed statement.

Senator McCLELLAN. Very well.

Mr. FOOTE. Now our objections are set forth in the statement, but I would like to highlight them. We feel, as has been said before, and contrary to the position of the Patent Office, that maintenance fees will tend to discourage the filing of patent applications.

My own experience in my company would indicate that this is probably true, and this is more so true with inventions which might be termed to be ahead of their time, where you just don't realize the significance of them or what they are going to mean to you in the

future. You are faced with an administrative setup, if you have maintenance fees, you have to provide tickler systems. Then every year, every time a fee is due, you will have to contact your engineering people, your marketing people, and ultimately in a company my size probably management to determine whether these fees should be paid.

I know in some instances this will be an easy decision. In others it won't. I don't mean by easy decision that necessarily it would always be yes. Sometimes it is easier to say no, but there will be this work, in any event.

These maintenance fees will take you from $60 per patent as it is today, assuming that you don't have over 20 claims, to $425 per patent, going back to the iceberg, that is the iceberg part of it, if you keep them alive until the expiration of it. This doesn't take into consideration all of these other fees that the bill itself provides for.

Senator McCLELLAN. Let me ask you at this point, and this seems to be the argument for the maintenance fee, is in the first place he doesn't have to pay a maintenance fee, I am talking about the individual, until he has had some income from his invention.

Now what they are contending is that this is the way that those who are really benefiting carry their share, and therefore those who don't benefit, ultimately didn't turn out well, and so forth, they weren't able to dispose of it or market it, do not have to pay because they haven't profited.

Mr. FOOTE. It is interesting in that respect to talk about this savings to this independent because he can postpone these fees. There are a couple of things about that that disturb me. In the first place I think that they talk about total benefits or something like that.

Senator McCLELLAN. About what?

Mr. FOOTE. Total benefits in the bill. You don't say what that is. You don't say whether that means that it is his net or his gross. He may have spent lots of money to perfect this thing. He has filed his patent. He has paid attorney's fees.

Now then, he starts to market this, and maybe he has only made one-third of all his expense to date. On the other hand, he has made over $50. I don't know whether he pays this fee or not. The bill isn't clear on that.

Senator McCLELLAN. In other words, if the bill should be enacted, that ought to be clear, that it would be money that he got from it in addition to what the patent had already cost him.

Mr. FOOTE. It certainly needs clarification.

Senator McCLELLAN. Would that include attorney's fees? That is not reflected.

Mr. FOOTE. That is right, it is not reflected.

Senator McCLELLAN. He probably pays a $500 attorney fee, and the other cost is $150 to $200, or whatever it was, and he gets his patent.

Mr. FOOTE. That is true.

Senator McCLELLAN. At the end of 5 years he probably would have gotten his $500 back.

Mr. FOOTE. That is right.

Senator McCLELLAN. Would he owe the $50, is that what you are asking?

Mr. FOOTE. That is correct. I don't know. Another thing is that he is supposed to file a statement under oath when this anniversary date comes up that he hasn't made this money.

Now then, who prepares the statement under oath? The man probably will go to his attorney to prepare the statement under oath, and the chances are he will be out more than the $50 he is allowed to postpone. I mean this is a possibility.

Senator MCCLELLAN. You mean the lawyer is going to charge him more than $50?

Mr. FOOTE. I think it is entirely possible, at least it is going to be out of pocket. He is not going to just get a postponement of the $50 if he files an affidavit.

Senator MCCLELLAN. Do you think the lawyers might benefit from this?

Mr. FOOTE. I think they might.

Senator MCCLELLAN. We had one in here protesting a few minutes ago.

Mr. FOOTE. I think he honestly feels what is best for the public is what he is interested in.

Senator MCCLELLAN. Very well.

Mr. FOOTE. Now they have said, too, that small business will be helped by H.R. 8190. Well, I think you are aware, but I would like to mention it, none of the delays on maintenance fee payments are available to anyone but the inventor owners, and so the small businesses, and people who have to go to attorneys anyway are still going to have to consult them at this time, and this will be an additional burden.

Much has been said about this question of administrative costs for the Patent Office. They have said that there would be no great increase there. Well, I can't quarrel with their opinion, but it is hard for me to believe it will be as low as they say, because in the first place you are going to have to keep up to date address lists somewhere. You are going to have to notify the patentees and keep in mind too that the bill says not only patentees but all others having an interest.

Senator MCCLELLAN. All others what?

Mr. FOOTE. Having an interest.

Senator MCCLELLAN. In other words, there has been a partial assignment.

Mr. FOOTE. You might have an assignment, that means you have to write two letters. If you have five licensees and you have recorded the license in the Patent Office, you have to write six letters. This is the way I would interpret the bill, because it does say, "all others having an interest."

Now I think this means that they will write, when this thing gets to the 13-year level, somewhere between 1,500 to 2,000 letters a week, and this would go just to patentees. It is not taking into consideration others who have an interest.

Senator MCCLELLAN. Let me ask you something. Suppose you have the patent, you are the inventor and you get the patent and I buy an interest, 10 percent of the patent, provided it is ever marketed I would own 10 percent of the royalty. I would have to be notified.

Mr. FOOTE. You would have to be notified I in turn would have to put this on the records of the Patent Office obviously, but I think once I did, you would have to be notified.

Senator McCLELLAN. In other words, they would not be required to notify anybody of interest that had not demonstrated that interest or made a record of it in the Patent Office.

Mr. FOOTE. That is right. I think this is true.

Now another thing, of course, the fees which are paid must be handled, and then you have to keep records to advise the public as to what patents had lapsed. I don't know to what extent you would do this, but it certainly would have to be something.

I would think the notice should be such that it wouldn't involve an appreciable cost to anyone who is interested in determining whether a patent had been permitted to lapse. I don't see how you can do all this without considerable expense, and I would guess it would be higher than the figures that were presented.

Senator McCLELLAN. What did they say this morning, they thought it would be about 2 percent?

Mr. FOOTE. Yes, about 2 percent. Now I do know an ex-assistant commissioner who thought it would be more likely 20.

Senator McCLELLAN. Sir?

Mr. FOOTE. I say an ex-assistant commissioner I believe testified, I know this has been said, it would be more likely 20 percent of the income from the maintenance fees rather than 2 percent.

Now that is about all I have to say about the bill. The NAM has always been a strong supporter of the Patent Office and its problems. We are sympathetic to what is trying to be accomplished here. But we still don't feel that the maintenance fee route is the best route to approach the problem.

Senator McCLELLAN. To raise the revenues that we should raise, and I think everybody agrees that 30 percent is too low——

Mr. FOOTE. I think this is fair.

Senator McCLELLAN. What, then, would you recommend to take the place of the fees, the maintenance fees? That is your principal objection.

Mr. FOOTE. I would do this through existing fees.

Senator McCLELLAN. Do what?

Mr. FOOTE. Do it through existing fees. In other words, increase——

Senator McCLELLAN. Just increase the cost of the application?

Mr. FOOTE. The filing fee and the issuing fee.

Senator McCLELLAN. And the issuance fee?

Mr. FOOTE. That is right. I don't think you need all these special things.

Senator McCLELLAN. Just make it straight out.

Mr. FOOTE. Right. You will get just as much money.

Senator McCLELLAN. In other words, just change the fees in the present law?

Mr. FOOTE. That is correct.

Senator McCLELLAN. And not create any more fees, not establish anything further?

Mr. FOOTE. In my opinion there are enough problems with the Patent Office now, and it is not the fault of the Patent Office. This will just complicate them.

Senator McCLELLAN. Very well.
Mr. FOOTE. Thank you very much.
Senator McCLELLAN. Thank you very much, sir.
Mr. Schuyler, will you come around.

STATEMENT OF WILLIAM SCHUYLER, PATENT LAWYER, AMERICAN BAR ASSOCIATION, SECTION ON PATENTS, TRADEMARKS, AND COPYRIGHTS, WASHINGTON, D.C.

Mr. SCHUYLER. Mr. Chairman, I have a prepared statement on behalf of the American Bar Association.

Senator McCLELLAN. You are representing the American Bar Association?

Mr. SCHUYLER. That is correct, Mr. Chairman.

Senator McCLELLAN. Will it be satisfactory to you just to file the statement for the record, and let it be printed in the record at this point, and make comments as you see fit?

Mr. SCHUYLER. I will be more than satisfied, Senator. I intended to suggest that.

Senator McCLELLAN. Very well, let the statement be printed in the record at this point, and you may proceed now and highlight it, Mr. Schuyler.

(The statement of Mr. Schuyler follows:)

STATEMENT BY WILLIAM E. SCHUYLER, JR., ON BEHALF OF THE AMERICAN BAR ASSOCIATION IN OPPOSITION TO H.R. 8190, TO FIX THE FEES PAYABLE TO THE PATENT OFFICE

Mr. Chairman and members of the subcommittee, my name is William E. Schuyler, Jr. I am a member of the law firm of Browne, Schuyler & Beveridge having offices in the Federal Bar Building in Washington, D.C. I appear before this committee today on behalf of the American Bar Association and am a former chairman of its section of patent, trademark, and copyright law. At the present time the American Bar Association has over 110,000 members.

In September 1962, I presented to this subcommittee the position of the American Bar Association with respect to proposed increases in Patent Office fees. That testimony, as reported in the hearings of this subcommittee on S. 2225, 87th Congress, includes the official resolutions establishing the position of the American Bar Association.

It is not our intention to quarrel with the judgment of the legislature as to what portion of Patent Office expense should be paid by inventors; on the contrary, it is the purpose of this statement to suggest that the money may be collected in ways better than those proposed in H.R. 8190.

In summary, the American Bar Association believes that the sums proposed to be collected should be collected by increasing filing fees and issue fees rather than resorting to cumbersome and administratively expensive devices such as "$10 for each claim in independent form which is in excess of one" (sec. 1 and 4); "$10 for each page (or portion thereof) of specification as printed, and $2 for each sheet of drawing" (sec. 2); or "Maintenance fees" (sec. 6).

"$10 FOR EACH CLAIM IN INDEPENDENT FORM WHICH IS IN EXCESS OF ONE"

Traditionally the Patent Statutes have been interpreted by the courts to permit an inventor to submit several claims of equal scope but different language in order to define his invention. Such claims cannot be presented in dependent form as can claims which are more limited in scope. Accordingly, the $10 fee, which discriminates against independent claims, forces the inventor to pay a premium for protection accorded him by the Patent Statutes. In many cases an inventor may claim different features of the same invention in one application; such features cannot be made the subject of dependent

claims, but to obtain adequate protection under H.R. 8190 the inventor would be compelled to pay a premium of $10 per claim.

At the present time an inventor may submit an application with 20 independent claims for a filing fee of $30. The same application under H.R. 8190 would cost the inventor $260. While this is an extreme example, even an average patent application with five independent claims would cost the applicant $90 as compared with the present $30.

This is not merely a change in the fee structure, but is an effort to force applicants to change the way in which they submit their patent applications by imposing a burdensome penalty on the format heretofore in use. If a reduction in the number of independent claims is desirable, we respectfully submit that a reduction from an unlimited number under the present practice to a single independent claim under H.R. 8190 is too drastic. Much of the opposition t this section of H.R. 8190 would probably disappear if the applicant could submit five independent claims for a single filing fee without incurring the penalty of $10 for each additional independent claim.

"$10 FOR EACH PAGE OF SPECIFICATION AS PRINTED, AND $2 FOR EACH SHEET OF DRAWING"

Computation of issue fees on the basis of the number of pages in the issued patent may seem equitable but the administrative cost to the Patent Office of collecting such fees will likely be more than doubled and the administrative cost to the inventor of paying the fees will be similarly increased. Section 4 of H.R. 8190 provides for a notice of allowance specifying an estimated issue fee with the balance of the issue fee to be paid 3 months after the patent has issued. This involves two computations by the Patent Office, first to estimate the size of the patent, and second to compute an exact issue fee after the patent has been printed; it requires two notices to the applicant, one that his patent has been allowed and a second that it has been issued and the balance of the fee is due. Likewise, it requires the applicant to pay a first portion of his issue fee before the patent is printed and a second portion after the patent is printed. Mechanics of paying and collecting the fee in two installments will at least double the administrative costs incurred by the Patent Office and the inventor. Added computations of an involved nature as provided in H.R. 8190 will further increase those administrative expenses. It is the position of the American Bar Association that the administrative costs involved in this complex computation and method of payment do not warrant the assessment of issue fees according to the size of the patent. We favor an outright increase in the amount of the issue fees rather than a system requiring duplicate payment and multiple computations as provided by H.R. 8190.

SHORTENED TERM AFTER NOTICE OF ALLOWANCE

Under the present statute an applicant receives a notice of allowance and has 6 months in which to pay the final fee in order for a patent to issue. During that 6 months he is able to take whatever action may be necessary to protect his rights in other applications and to arrange, if he so desires, for the filing of corresponding applications in foreign countries. This 6-month period has been in existence for a long time and to arbitrarily shorten it to 3 months, as provided by section 4 of H.R. 8190, will impose a hardship without in any way increasing revenue to the Government. It changes the patent statute without good reason.

MAINTENANCE FEES

Fees for maintaining a patent as proposed in section 6 and section 8 of H.R. 8190 are, in effect, discriminatory taxes imposed upon the owner of a patent if he desires to continue the patent in force. These sections will not provide any additional revenue to the Government of the United States for a period of 5 years and will produce only a total of about $5 million during the first 10 years, and a total of about $13 million during the first 13 years. Hence, if H.R. 8190 is passed by the Senate at this session, only an average of $1 million a year will be realized until 1977. For each patent that is issued, the Commissioner must send separate notices 5, 9, and 13 years after the patent issues. To maintain his patent, the patent owner must pay three payments. Cost of administering this program cannot be overlooked so the net income to the Government until 1977 will probably be considerably less than $1 million a year. An increase of $20 in the issue fee of each patent would more than offset this amount of revenue.

The American Bar Association is opposed in principle to any fee for the maintenance, renewal, or continuance of a patent right. If Congress believes it must raise $1 million a year we believe it better to do so by increasing fees that are now in existence.

During the debate in the House of Representatives on the matter of maintenance fees, one of the Members supporting the bill stated that one-half of the $12 million increase in revenue would come from maintenance fees. Actually H.R. 8190 would eventually produce less than $3 million per year in new revenue, and even that amount will not be realized until 1977.

Other Members supporting the maintenance fee provision stated that maintenance fees would eliminate dormant patents and thereby reduce the file of patents through which the patent examiners must search. There seems to be some misunderstanding because the patent examiner must search through all issued patents whether they are alive or expired. The fact that a patent is permitted to expire because the owner does not pay a maintenance fee would not remove the disclosure of the patent from the prior art which must be considered by the examiner. Hence, the maintenance fee provisions will have no effect whatsoever on the amount of searching necessary in the Patent Office.

Suggestions have also been made that maintenance fees are for the benefit of the small inventor. If a large manufacturer is considering a product which would infringe a patent 4 years old and owned by an individual inventor, would the manufacturer approach the inventor or wait a few months to see whether or not the patent lapses for failure to pay a maintenance fee? Maintenance fees are a burden upon all patent owners whether they be large or small and will tend to dilute the patent system which has been an important factor in the economic development of this Nation.

HOW CAN MONEY BE COLLECTED?

As stated in my testimony before this subcommittee in September 1962, the American Bar Association does not presume to tell the Congress how much money should be collected by the Patent Office. The American Bar Association has recognized that reasonable increases in fees are justified by increased costs and devaluation of the dollar.

Revenue from "maintenance fees" will average only $1 million a year at least until 1977, and during that period the total revenue under H.R. 8190 will average about $18,700,000 per year according to estimates submitted to this subcommittee by the Patent Office in September of 1962.

Objections set forth above on behalf of the American Bar Association could be eliminated and the same revenue realized if H.R. 8190 is amended to eliminate the $10 penalty for independent claims and increase the basic filing fee to $75; to substitute a uniform issue fee of $120 for the complex computation in sections 2 and 4; and by deleting sections 6 and 8 to eliminate maintenance fees.

If legislation along these lines is acceptable to the subcommittee, representatives of the American Bar Association will be pleased to work with members of the subcommittee and the staff, in an effort to minimize or eliminate the controversial provisions of H.R. 8190.

Mr. SCHUYLER. Before turning to this statement may I say, Mr. Chairman, that I have appeared before this subcommittee on other matters. I have followed with interest the work it has done, and its staff has done for the patent system for the past several years, and as an individual, and I think most patent lawyers agree with me, we are indebted to the objective treatment which the committee has given the many problems confronting the patent system today.

Speaking as an individual, but I believe for a large number of patent lawyers, I just want to say publicly that we are grateful for the treatment we have received here.

Senator MCCLELLAN. Thank you, sir. We have no interest in this matter except as far as I know to serve our country and to do the best, taking into account the interests of all involved, the proper interest I might say of all involved.

Mr. SCHUYLER. My testimony is intended in that same direction, sir. I hope it will be so received.

The American Bar Association testified before, and I presented the testimony before the subcommittee, that it did not pretend to tell the subcommittee how much money the Patent Office should collect. This is in the judgment of Congress, and in fact the American Bar Association has favored an increase in Patent Office fees.

Whether or not the proposed legislation is reasonable we are not going to comment. We leave this to the judgment of the committee so far as the total collected sum is concerned. What portion of the Patent Office should be supported by the inventors and what portion by the public is something for the Congress to decide, and not the lawyers. If we can help, we will be glad to do it.

Senator MCCLELLAN. That is true, but we need counsel from those who are most knowledgeable in the field, and that is the purpose of hearings like this. I don't know, but if you have been here today, you heard it discussed that now we are getting only 30 percent of the cost of operating the Office in revenues. I think that is too low. I don't know, you folks say you don't have any opinion about it, the American Bar Association doesn't?

Mr. SCHUYLER. We have not tried to suggest what the percentage would be. I think that I could make some observations, one of which is that the presentation before the subcommittee by the former Commissioner of Patents was pretty conclusive that their expenses have tripled, and I think that on that basis that tripling the total fees collected from the inventors could be said to be reasonable.

Senator MCCLELLAN. We discussed here this morning that two-thirds or 65 or 75 percent, somewhere in that range, would not be unreasonable or unfair to the beneficiaries of the patent system, those who were direct beneficiaries.

Mr. SCHUYLER. I don't think the figures are unfair, Mr. Chairman. I would differ as to who benefits the most from the patent system perhaps.

Senator MCCLELLAN. I am talking about the overall thing that we try to raise 65 to 70 percent of the cost of operating the Office.

Now as to where that should be levied, on what aspect of the proceedings involved in obtaining a patent, whether on the application or on the issuance of the patent or on a maintenance fee or some other way, that is a matter of discussion.

But the overall objective of trying to raise 65 or 70 percent, somewhere around there of what it is costing to operate the Office, you wouldn't disagree to that, would you?

Mr. SCHUYLER. I think that that is reasonable, in view of what the fees have been and how expenses have changed since the fees have changed; yes.

Senator MCCLELLAN. Very well. Now you may go into the different aspects of how best to raise that amount of money.

Mr. SCHUYLER. Well, the American Bar Association broadly would tend to concur with Mr. Foote, that it would be better to simply change the amounts of present fees, rather than go into the complex formula suggested by the legislation that passed the House.

We have particular questions about the desirability of the independent claim penalty, about the desirability of computing the issue

fee on the basis of $10 per page, and about the desirability of maintenance fees.

Taking first the independent claim, testimony has been presented from the point of view of the Patent Office, there was a suggestion that the dependent form of claim is not used because the patent lawyers are not educated to use it.

I would be the first to agree with the gentlemen who have said that the examiner can examine an application faster and cheaper if we used the dependent form of claim. The statutes and the Patent Office rules have permitted us to do this for years.

We do it in some cases. We do not do it in many cases because our experience in the courts tells us that the judge sitting on any one case that has an independent claim and a series of dependent claims—by dependent claims we mean we have claim A which is independent, and claims B, C, and D which are dependent upon claim A.

Well, if a judge say claim A is invalid, psychologically or legally, one way or another, he almost invariably says claims B, C, and D are invalid.

Now the reason that the lawyers do not use the dependent form of claim is not through ignorance or a desire not to cooperate with the Patent Office. What they are trying to do is protect interests of their client. To do that we in our firm feel that a certain leeway in the independent claim is essential.

Now the amendment set forth in H.R. 8190, I believe section 11, does not change the existing law. This would codify what all of us recognize, that a dependent claim includes all of the limitations of the independent claim on which it depends. But it still leaves us with the dependent claim that is likely in our view, and I am sure that I speak for the majority of patent lawyers, that in our view a dependent claim is likely to be held invalid if the court finds the independent claim invalid.

Senator McCLELLAN. The independent claim to which it is related.

Mr. SCHUYLER. That is right.

Mr. DINKINS. May I interrupt, Mr. Schuyler, to ask if you would suggest any change in the language of that last paragraph to strengthen it to do the things which it is intended to do?

Mr. SCHUYLER. No.

Mr. DINKINS. To offset this problem.

Mr. SCHUYLER. You have touched upon it, and I feel that if there is a desire to encourage the use of dependent claims, it should be done by a change in the substantive statute, not in the fee schedule.

There could be two changes, and I am sure the bar association will be glad to work with the committee in amending the substantive law to make a substantive change. This bill would make a change in the substantive law to the detriment of inventors and their assignees, by changing the fee schedule rather than the substantive law.

Senator McCLELLAN. Then your position as I understand it, you think this situation can be corrected, but it would more profitably be corrected by changing the basic law?

Mr. SCHUYLER. I think our experience in other countries, in England, for example, where a dependent claim is used extensively is good. But that is because they have different rules they apply in drawing the language used in the independent claim. The Patent Office

wouldn't approve an independent claim like we obtain in England, for example. I believe there is room for this committee in some of its other work to consider that. But I am very much opposed to trying to accomplish the same thing by changing the fee schedule.

I would refer to this matter of the average number of claims that was discussed by the Patent Office Society, and at page 92 of the hearing on S. 2225, excuse me, page 93, there is a footnote, the last line on the lefthand side refers to an average of 2 claims over 10. I believe this refers to the average applications pending in the Patent Office would indicate the average application filed had 12 claims.

I would also point out that the six to seven claim average, to which the testimony was directed, and which appears on page 74, is the average in issued patents, and not in patent applications. So when we are talking about filing fees, we should consider the number of claims in a patent application as filed.

Almost invariably a fewer number of claims are issued than are applied for. So the issued patent average of seven is not a true measure in computing a filing fee.

I might refer to this treatment by the courts of the dependent claim. I believe there is only one case, there is only one which I know, and I know from personal experience, where a dependent claim has been held valid when the independent claim was removed. That case, it might be of interest to the chairman because it was tried in 1947 by Judge Miller of Fort Smith, Ark., it is the case of *Bruce* v. *Bradley*, Bradley Lumber Co. of Warren, Ark.

Senator McCLELLAN. I had better read that.

Mr. SCHUYLER. I regret to say I was on the wrong side of that case. I don't think that the Patent Office would have had that case to use in support of its position, if I hadn't told them about it. But it is the only reported case of which I am aware of where a dependent claim was upheld. It is the exception.

I believe you asked Mr. DeLio to supply some cases where the dependent claims had been held invalid. Well, this is the exceptional case to the contrary, and if you wish, I will be glad to give you any number of cases where the dependent claim is going the other way.

Senator McCLELLAN. I would say this. I know Judge Miller.

Mr. SCHUYLER. He is a fine gentleman.

Senator McCLELLAN. I served with him in the Congress.

Mr. SCHUYLER. Yes.

Senator McCLELLAN. I have known him all these years, and I have a high regard for his judicial opinion, and therefore since he ruled in that direction, I shall at least have a rebuttal presumption that he is right unless I am shown that he is wrong.

Mr. SCHUYLER. I think that I am in a position where at this stage I must likewise agree with him.

Senator McCLELLAN. Very well.

Mr. SCHUYLER. I would point out there were other factors in that case that may have led him to that decision.

Mr. McCLELLAN. Very well.

Mr. SCHUYLER. Let's turn to the issue fee, which suggests a very complicated formula for computing how much a man pays when his patent issues.

Senator McCLELLAN. The issue fee? That is the final fee.

Mr. SCHUYLER. It is called final fee under the present statute. It is issue fee in the new one.

Senator MCCLELLAN. It wouldn't be the final fee if you had to pay a fee later for maintenance.

Mr. SCHUYLER. I think you put your finger on the reason for the change. The proposed statute, the one that has passed the House, would first cause the Patent Office to estimate how many pages of printed material were going to be involved, and send the inventor a bill for that amount, $10 per page and $2 per drawing plus a base fee. The inventor would pay that, and 3 months later his patent would issue.

Then after they had the printed form of the patent, the Patent Office would have to make a second computation to get the exact amount of the fee, send the inventor a second bill.

Now this is twice as many operations as are involved today. It is bound to increase the administrative expense immeasurably.

Not only is it twice as many operations, but the operations are more complex, the computation of their counting the number of pages, extending that by $10 per page, and the same with the drawings, is going to increase the Patent Office cost of collecting the fees measurably. It is going to increase the cost to the applicant of paying the fees.

There is one other point on the issue fee of which we would ask special consideration. The term between the payment of the first fee and the payment of the second fee corresponds today to the period after a notice of allowance and before payment of the final fee. Today this is a 6-month period. The statute reduces that to 3 months. A 6-month period is important to patent applicants for many reasons.

Senator MCCLELLAN. We will have to suspend. I am sorry, that signal was a rollcall vote in the Senate. If you will remain here a little while, I will go over to cast my vote, and call back and indicate whether it will be possible for me to return. If there are going to be other votes soon, I will just have to stay, and we will have to recess until 10 o'clock in the morning. If you are about finished with your statement, Mr. Schuyler, you can dictate a little statement here to the reporter to add to it in conclusion. If you would rather come back, we will be glad to commence with you tomorrow morning so that you can finish your presentation.

(Whereupon, at 4 p.m., a recess was taken until tomorrow, Friday, February 28, 1964, at 10:15 a.m.)

PATENT OFFICE FEES

FRIDAY, FEBRUARY 28, 1964

U.S. SENATE,
SUBCOMMITTEE ON PATENTS, TRADEMARKS, AND COPYRIGHTS
OF THE COMMITTEE ON THE JUDICIARY,
Washington, D.C.

The subcommittee met, pursuant to recess, at 10:20 a.m., in room 3302, New Senate Office Building, Senator John L. McClellan presiding.

Present: Senators McClellan, Burdick, and Fong.

Also present: Clarence M. Dinkins, chief counsel, Thomas C. Brennan, assistant counsel, and Stephen G. Haaser, chief clerk, Subcommittee on Patents, Trademarks, and Copyrights.

Senator McCLELLAN. We will now continue with the presentation of Mr. Schuyler, who was testifying at the close of yesterday's hearing.

STATEMENT OF WILLIAM SCHUYLER, PATENT ATTORNEY, WASHINGTON, D.C., AMERICAN BAR ASSOCIATION, SECTION ON PATENTS, TRADEMARKS, AND COPYRIGHTS—Resumed

Mr. SCHUYLER. I had been advising of the opposition of the American Bar Association to some of the ways in which fees were proposed to be collected. I think we had reached agreement that we are not arguing with the total amount that the House bill proposes to collect, but we want to suggest a different way of collecting that amount of money.

Turning to the maintenance fees, the position of the American Bar Association is that this would add to the figures and administrative burdens of all patent owners. There are difficulties in locating an inventor 5, 9, or 13 years after his patent issues. In the event he does not receive notice the present legislation would simply let his patent lapse.

Senator McCLELLAN. Let me ask you this. While I suggested an additional notice yesterday, and I think that was quite proper, I don't think the whole burden should be on the Patent Office to alert them to what their rights are or what rights they may be forfeiting.

They are presumed to know the law. They have lawyers to represent them in securing the patent. There is some obligation on the part of their own counsel and on themselves to know what to do to protect their rights. I think insofar as the Patent Office acts to send them out a notice or reminder, it is a courtesy to them, an accommodation to them. I don't think the whole responsibility should be placed there.

Mr. SCHUYLER. I don't dispute that, Senator. I think we can eliminate all of this problem if we put these fees in the issue fees and not have them collected a number of years later.

Senator MCCLELLAN. I agree with you. The point I am making is if the maintenance fee is sound, practical, and found to be desirable, and adopted, the whole responsibility must not be placed upon the Patent Office to keep a fellow informed of his rights. He is presumed to know the law himself, and presumably does have counsel to advise him and alert him to actions that he must take. But this other is an additional service, and accommodation, I think, should be provided.

Mr. SCHUYLER. I agree with you. In fact in trademark cases we have something parallel to this now.

But we also charge our clients for the service of following up. So the cost to the inventor isn't just this $50 or $100 or $150 provided by the bill, but the lawyer has to recover his time and expense from it too. It is going to add more cost to the inventor.

Mr. DINKINS. Mr. Schuyler, let me ask you this question if I may.

Mr. SCHUYLER. Yes, sir.

Mr. DINKINS. In the case of those Americans who have thousands of foreign patents on which they have to pay maintenance fees, so far as you know what has been their experience in keeping up with the due dates of the maintenance fees? Aren't they organized and set up to take care of that?

Mr. SCHUYLER. We pay—I say we, my clients—pay me and I in turn pay a lawyer in each country involved to follow up on that, to send me a notice each year or each 3 years or each 5 years. I in turn send that on to my client. The client pays both of us as well as the foreign government.

Senator MCCLELLAN. That is something that we can do nothing about here. That is the way it operates under the laws of foreign countries.

Mr. SCHUYLER. We are trying to avoid that burdensome situation here, Mr. Senator.

Senator MCCLELLAN. It may be well to avoid it. I am not arguing the point. And I can understand there is some inconvenience about it and there is some problem in connection with it. It isn't all black and white. But they are proposed to increase revenues of the Patent Office. Now the question, the real crux of the thing here is whether we are going to add it to the application and to the final fee, or whether we are going to provide for some of it on maintaining the rights to a patent.

That is the real crux of the issue between the two pieces of legislation, is it not?

Mr. SCHUYLER. Yes; I would agree with that basically, Senator.

Senator MCCLELLAN. Very well. I am going to hear both sides.

Senator BURDICK. Mr. Chairman.

Senator MCCLELLAN. Senator Burdick.

Senator BURDICK. I am very much in favor of lawyers, I am one myself, but aren't you just exaggerating a little bit the problem of having money transmitted to the office in payment of the fee? Isn't that a rather simple procedure?

Mr. SCHUYLER. Yes; it is a simple procedure, but I can only give you examples of what it costs in a foreign country. I will have to

generalize a little bit. But in England, for example, we might have a fee for a given year that would be equivalent in American dollars to $25. The British lawyer or agent would charge us $5 or $10 to first notify us that the fee is due, to receive our authorization to pay it, and then to effect the payment, to send the receipt back to us. So he has time and services. It is simple, but the major corporations today say it costs them something between $2 and $5 just to write a letter. This is what statistics show. I am not an expert in that field, but that is what I have read.

So every time you move a piece of paper, and certainly the Government has this problem, it costs money. So we here have first a notice that the payment is due. We have to have authorization that the payment is to be made, and the payment is made and the receipt is returned to the inventor.

Now a $5, $10, or $15 fee for this sort of service I think is quite an amount, and I don't believe I am exaggerating. I might add that in a foreign country that is doubled because it goes through the U.S. attorney as well. It may not be doubled but it is increased.

Senator BURDICK. In cases in this country alone you wouldn't need a resident lawyer or forwarding lawyer. You would do it all yourself.

Mr. SCHUYLER. Yes, sir.

Senator BURDICK. But there would be nothing to prevent the patent holder from sending his fee directly to the patent office?

Mr. SCHUYLER. That is quite right.

Senator BURDICK. And have a receipt returned?

Mr. SCHUYLER. But we get into a little difficulty here, also, Senator, as we did yesterday, where, as the bill provides, if the inventor hasn't realized a certain amount on his patent, he may submit a statement under oath, and defer the payment of the fee.

But I don't think the inventor is in a position to tell himself whether the oath complies with the law.

He certainly wants to be careful he doesn't perjure himself, and he should consult with a lawyer in that situation.

Senator BURDICK. In the case of an affidavit I agree with you.

Mr. SCHUYLER. But this is an affidavit now to defer payment of maybe $50, just defer it. I consulted a few of my colleagues in the room yesterday, and it was unanimous that this would probably involve a lawyer's fee of $25.

Senator BURDICK. But on the strict payment of the fee it isn't a very heavy matter; is it?

Mr. SCHUYLER. Not if the inventor pays it himself or the corporation involved. It is not, but it is a burden of being sure that it is followed up. There is recordkeeping involved. The holder of a large number of patents would not depend, as Senator McClellan points out, and should not depend upon the Patent Office notice. They should share the burden themselves. So they will have to keep a record. And if you have 500 patents, this can be quite a task. It might involve quite a bit of time.

Senator BURDICK. I quite agree with the chairman that a man has an interest, and a valuable right here. Certainly he is going to watch that right himself, isn't he?

It is a value to him.

Mr. SCHUYLER. The experience we have is that our clients rely upon us in foreign countries to watch their right and we in turn rely upon others. So using a parallel I think that the inventor is going to rely upon his attorney.

Now if in a 5-year or a 4-year period the inventor moves and neither the Patent Office nor the attorney can find him, he may well let it lapse. Our experience with inventors is they are usually not good businessmen.

Senator BURDICK. Don't you think that the patentholder who has a patent he thinks has value is going to keep in touch with that patent and anybody else concerned with it?

Mr. SCHUYLER. No, I don't. I don't like to differ with you. I don't think he is going to walk away from it but I think he will overlook it. I don't think that he is equipped to set up on his calendar that 4 years or 9 years from now he must pay to the Government $100.

Senator BURDICK. I just wanted to explore your thinking on the mechanics of this. I am not saying that they are good or bad, but just as to the mechanics of payment.

Senator MCCLELLAN. You spoke of some of them having 400 or 500 patents. Anybody that is that wealthy with patents I would think would set up some kind of mechanism to keep up with them.

Mr. SCHUYLER. Oh, yes. If you do have a large number I agree, if I didn't make that clear.

Senator MCCLELLAN. What you are thinking about is the individual who may have one or two patents and some may or may not be good.

Mr. SCHUYLER. And he is liable to let it slip unintentionally.

Senator MCCLELLAN. Ordinarily those fellows don't have a regular attorney anyway; do they, if they just have one or two little patents?

Mr. SCHUYLER. Certainly, under today's practice, once the patent has been issued to them, our next contact with them would be if they were negotiating a license or something like that. Very often we never see or hear from them again.

Senator MCCLELLAN. You never see or hear from them again. Very well. Senator Fong, do you have any questions?

Senator FONG. May I ask just one question. You object to the maintenance fee and the fee for each separate page. To secure the same amount of revenue what would you suggest?

Mr. SCHUYLER. I put that in my statement, also, Senator. Our basic suggestion is that we increase the present fees to accomplish that, and as set forth in my statement if we increase the filing fee to $75, and eliminate this $10 for an independent claim, increase the issue fee to $120, without the complex formula that is in the bill, at least until 1977, the Government will be even, will collect the same amount of money as it does under the proposed legislation. Now maybe in 1977 you will have to take another look at it, but under the maintenance-fee provision, the $20 million, or whatever is estimated to be collected, isn't going to start to be collected until 1977, if this statute goes into effect this year.

Senator FONG. So your suggestion is only up to 1977, and not taking into account the maintenance fee.

Mr. SCHUYLER. We would collect the same amount of money as the maintenance fees collect until 1977, but when they begin collecting $150 our proposal wouldn't collect as much. But we submit that it

would be better to look at the situation in 1977, rather than to establish legislation today that will fix it in 1977.

Senator FONG. You believe that that would be better procedure?

Mr. SCHUYLER. Well, as I have listened to the testimony here, it seems to be only the Government witnesses who are suggesting the maintenance fees, and everyone else with whom I have talked, including Senator Dodd's bill, has some other way of collecting the same amount of money. And suggesting that we don't change the method of collection. One of the reasons for this is that Mr. Reynolds, the Acting Commissioner of Patents yesterday stated that it is going to cost at least 2 percent to collect these maintenance fees, whereas if we increase the issue fee, we don't have any increase in administrative costs. I mean here is at least $60,000 a year we won't have to spend, we won't have to add to the Patent Office budget, and many people say that estimate is pretty low.

Senator FONG. Would you say your suggestion is in conformity with the great number of lawyers who practice before the patent office?

Mr. SCHUYLER. Those with whom I have talked prior to testifying have indicated that they and the organizations they represent recommend a similar way of collecting the same amount of money.

The National Association of Manufacturers testified yesterday that they favor increasing present fees. I don't believe they say a specific amount. I was going to conclude my testimony with a proposed amendment to the bill. I have a marked copy here, and I don't know what is the best way to get this in the record. I can read the amendments into the record or I can give counsel a copy of the bill as we have amended it.

Senator MCCLELLAN. You have amendments attached to a copy of the bill?

Mr. SCHUYLER. I have actually marked a copy in red with the proposed amendments, and in about a minute I could read the amendments into the record, if that would be all right.

Senator MCCLELLAN. That would be all right, just read it into the record, and then you can submit your marked copy of the bill as an exhibit so we can refer to it for accuracy.

Mr. SCHUYLER. All right, sir.

Senator FONG. Is there any question or dispute as to the amounts that are intended to be collected? Do you feel that the amounts intended to be collected under the two bills are high, or excessive?

Mr. SCHUYLER. I pretty much reached an agreement with Senator McClellan yesterday that something of the order of two-thirds to 75 percent would be in order. My reasoning is a little different though we reached the same result I think.

Senator MCCLELLAN. Thank you.

Senator BURDICK. On this phase of the subject Mr. Chairman I would like to ask another question. Yesterday when I was here, one of the witnesses for the proponents testified that by raising the issue fees, and not having the maintenance fees, you might discourage some people from filing for patents, whereas if you keep the fees lower than you would suggest, and then permit the applicant after the patent issues to determine whether he wants to pay the higher fees you would not discourage them.

Do you care to comment on that?

Mr. SCHUYLER. If we increase the filing fee as I suggest, to $75, I don't think it will be any higher on the average than the applicant would pay under the House bill. That bill provides for $50 as the basic fee, and $10 for each independent claim he submits more than one. Now as I again explained yesterday, in my opinion, in the vast majority of patent applications one independent claim will not afford the inventor adequate protection.

I would advise my clients to spend the $10 for three, four or five claims. If I get up to five, I have a filing fee of $100.

I would advise my clients certainly I think to add a couple of claims, and if we do that we are up to $70 under the present legislation. So I dispute the statement by the proponents that an increase to $75 is in effect an increase over the present legislation.

I agree with them that if you grossly increase the filing fee, you may discourage the filing of patent applications, and we should not do that.

Senator BURDICK. Just a minute. A while ago you testified that you agreed that a certain amount should be raised, but you differed with the proponents on how it should be raised.

Mr. SCHUYLER. Yes, sir.

Senator BURDICK. Then if you don't increase the issue fees, how do you raise this amount?

Mr. SCHUYLER. We were talking about filing fees, Senator.

Senator BURDICK. I am talking about everything but the maintenance fees now.

Mr. SCHUYLER. As I said, if we amend this bill simply to provide a filing fee of $75, and an issue fee of $120—maybe I didn't say that, I intended to and it is in my statement—we will raise the same amount of money.

Senator BURDICK. I know, but what about the contention of the proponents that by increasing these fees for this fellow with small means that has an idea, a mechanical invention, is less apt to proceed.

Mr. SCHUYLER. As I understood the proponents, they say to increase the filing fee. I am proposing a greater increase in the issue fee than in the filing fee, and in effect I am saying instead of maintenance fees, every time someone gets a patent, let him pay his share of the cost that the bill would collect by way of maintenance fees. I believe that every one except the Government has testified to this same effect, that it would be better for all patentees to bear this cost rather than those who happen to decide to keep their patents alive.

Senator BURDICK. What about the other face of the argument. That a patentee who hasn't exploited his patent, hasn't done very well, won't have to pay the maintenance fee. It is just those who have exploited it and made something from it that have to pay them.

Mr. SCHUYLER. Well, if it were as easy as that I might agree. If anyone makes $10,000 or $100,000 with a patent he isn't going to complain about $300 in maintenance fees. But we have a lot of clients who may be making a thousand dollars on a patent. And if you tax him $300, that is taking a pretty big share of his profit, in addition to his other taxes. That is in effect what we are doing. If you take the extremes, the man that doesn't do anything, then he doesn't

have any expense. The man who makes several thousand dollars can afford it. There is a lot of intermediate ground.

The man who makes a few hundred or a couple of thousand dollars, if you take $300 of that away from him I think it is unfair.

Senator BURDICK. Then it is your suggestion that we increase as part of the initial fees to cover them all, increase the initial fees to get his patent, all present fees.

Mr. SCHUYLER. Yes.

Senator MCCLELLAN. Increase all present fees?

Senator BURDICK. And those present fees as you propose to increase them, would be higher than the range contained in the House bill?

Mr. SCHUYLER. The issue fee would be higher. I think the filing fee, which is the one that is more likely to discourage the inventor in my opinion would not be higher if, as one of the witnesses said yesterday, we look at the part of the iceberg that is underneath the water. The $50 basic fee in the bill sounds low, but if we look at the rest of it, the average filing fee is going to be closer to $100 than it will to $50, in my opinion.

Senator BURDICK. Apparently it is just a question for us to decide where the fee should be.

Senator MCCLELLAN. The issue there is on the independent claim and the dependent claim. The Patent Office is contending apparently that you can properly present your applications using the dependent claim procedure, more often than you are now using it and that you are using the independent claim procedure too frequently and unnecessarily and thus burdening them with more work, and also delaying the expediting of the issuance of the patent, isn't that correct?

Mr. SCHUYLER. That is what the Patent Office said; yes sir.

Senator MCCLELLAN. That is right, I mean that is their contention. I am trying to get the issue in front of us.

Mr. SCHUYLER. Yes.

Senator MCCLELLAN. In other words, they say when you send in an application with independent claims that puts a lot more work on them and there are more delays actually in issuing the patent, whereas if you use the dependent claim procedure you wouldn't have all of this extra burden in the initial cost of the patent application, isn't that correct?

Mr. SCHUYLER. Yes, sir.

Senator MCCLELLAN. What, apparently, the Patent Office is trying to do is to persuade counsel for applicants to use the dependent claim procedure more than they use it now. Isn't that also an issue here?

Mr. SCHUYLER. Yes, sir.

Senator MCCLELLAN. Now some who oppose the bill are contending that the dependent claim procedure doesn't get your case presented as well as the independent claim does, is that correct?

Mr. SCHUYLER. Almost, Senator; if I may correct it in one respect.

Senator MCCLELLAN. I got near it.

Mr. SCHUYLER. We present it just as well. The Patent Office doesn't have any experience in taking that patent into a Federal court and trying to enforce it.

Senator MCCLELLAN. Your trouble you say is after you get to the court.

Mr. SCHUYLER. After we get the patent.

Senator MCCLELLAN. That is where you are having trouble.

Mr. SCHUYLER. Yes, sir.

Senator MCCLELLAN. And you are saying that this provision in this bill is not adequate to correct the situation in the courts.

Mr. SCHUYLER. I don't think that provision is adequate, and I don't think it is proper to try to do that in a fee bill. I think it should be in the substantive legislation.

Senator MCCLELLAN. That is like legislating on an appropriation bill.

Mr. SCHUYLER. It certainly is.

Senator MCCLELLAN. The question is: Would this language do it? That is for us to decide whether it ought to go in this bill or not.

Mr. SCHUYLER. In our opinion it would not. In our opinion we need some basic change. I am not opposing——

Senator MCCLELLAN. Can you write language to go in here that you think would protect you in the courts?

Mr. SCHUYLER. We have been wrestling with this for a long time. I would hesitate——

Senator MCCLELLAN. You are an expert in this field now.

Mr. SCHUYLER. I would hesitate to say that I could do it, but I would certainly be willing to try.

Senator MCCLELLAN. I don't know what is going to be the outcome of this hearing, I mean what the committee will decide or what Congress will finally decide on the issue. But I think it would be well if you have some language that you think would be more appropriate and more effective than that which is in the bill, to submit it to us. I am not going to require you to do that. I am just saying if we get down to the point where we feel we are going to follow the general approach of the House bill, then I think we would want to try to correct that court situation insofar as we could.

Mr. SCHUYLER. We would take a little more than just this addition. We would want to amend the patent law to insure that the court would recognize the dependent claim.

Senator MCCLELLAN. I know that is what you want to be done but you can do it in this bill. It doesn't have to be a separate bill. It could be done, I don't say it will be done. It could be done.

Mr. SCHUYLER. I can't do this with the approval of the American Bar Association but I can certainly do it as an individual, and I am sure I can get some help.

Senator MCCLELLAN. I don't know that we will come to that point, but if we do I am sure we would want the best counsel and the best advice we could get on the matter.

Mr. SCHUYLER. Quite right.

Senator MCCLELLAN. You practice the law in that field and know what the problem is and could best help us correct it.

Mr. SCHUYLER. We would welcome the opportunity, Senator, yes.

Senator MCCLELLAN. Very well. All right, counsel wishes to ask a question.

Mr. DINKINS. Mr. Schuyler, I am not certain that the record is clear as to just what the difference is in the filing fees under Senator Dodd's bill and under the House bill that came over. I have a very brief tabulation in front of me which I would like to recite to you and have

you correct me if I am in error. I would like to use the example of 13 claims in each application. My only reason for doing that is that one of the witnesses yesterday used 13 claims, and I thought this would be an area parallel to his situation. Now under Senator Dodd's bill, I have $70 for filing, and I have $15 extra because he had 3 claims in excess of 10, that would be $15 and a total of $85 for the application under Senator Dodd's bill regardless of whether the claims were dependent or independent, is that correct?

Mr. SCHUYLER. I am not that familiar with Senator Dodd's bill, but it is correct to the best of my recollection of it, Mr. Dinkins. As I recall, he had—I have forgotten his base fee.

Mr. DINKINS. $70 is the base fee.

Mr. SCHUYLER. Plus $5 for each claim over 10.

Mr. DINKINS. Over 10?

Mr. SCHUYLER. Yes, your arithmetic is right.

Mr. DINKINS. That would be $85. Now then, under the House bill which came over we have $50 for filing, and you have $120 extra—this is on the independent claims——

Mr. SCHUYLER. Yes.

Mr. DINKINS. Because you had 12 independent claims in excess of 1 and then you would have $6 because you had 3 claims in excess of 10

Mr. SCHUYLER. That is right.

Mr. DINKINS. Which would give you a total of $176, if you used 13 independent claims, is that correct?

Mr. SCHUYLER. I agree with that, yes.

Mr. DINKINS. All right, sir. Now then under the House bill again, where you would use 1 independent claim and 12 dependent claims, you would have $50 for filing, and you would have $6 for the extra dependent claims giving you a total of $56. Now that would be if you were converted to the use of dependent claims, that your filing fee under the House bill would be $56, which would be the lowest of the 3 provided you used the dependent claims, is that correct?

Mr. SCHUYLER. Yes.

Senator MCCLELLAN. What is the objection on the part of the bar to using the dependent claim instead of the independent? There seems to be some objection and I would like to get the reason. I am not too familiar with it, but I think the record should reflect it.

Mr. SCHUYLER. There are several reasons. First a patent application on an invention on a machine may claim the machine, the method of operation, and the product that it makes. Now you can't possibly get those three things in a dependent claim, and I believe the Patent Office will agree with that. They would probably say that you should file three separate patent applications. Well, sometimes that is done and sometimes it is not done. But this is a fundamental. You cannot have those three different types of claims, and the three different types of claims are recognized in the statute. You cannot write those in dependent form. They must be independent. If you have that situation, you have $20 additional you simply can't avoid paying under this bill.

The second point, the courts have repeatedly said that under our patent statutes an inventor is entitled to define his invention in different language. These are claims of equal scope. But they say it in different ways, because one might be held valid and another one invalid.

The opportunity is given to the inventor to protect himself with two claims of equal scope or more than two claims of equal scope.

Senator McCLELLAN. That opportunity is not being denied by this legislation.

Mr. SCHUYLER. No, it is just costing $10.

Senator McCLELLAN. It is just costing him $10 if he finds himself in the situation where he needs to do that.

Mr. SCHUYLER. And as I have said a minute ago, in my opinion most every patent application that came out of our Office would have two, three, or four as a minimum.

Senator McCLELLAN. Your contention is that that occasion will arise far more frequently than the Patent Office now recognizes or thinks it would or admits it would?

Mr. SCHUYLER. Yes. I think their statement is sound because they are saying that he can present a satisfactory patent application, and from their point of view it is satisfactory.

Senator McCLELLAN. You mean from the standpoint of their adjudicating it.

Mr. SCHUYLER. Yes.

Senator McCLELLAN. From the standpoint of their meeting their responsibility it is satisfactory.

Mr. SCHUYLER. Yes, sir.

Senator McCLELLAN. But your contention is, from the standpoint of the applicant, to protect all of his rights and secure for him every benefit that he might have by reason of his invention, to do this you feel he needs to have the independent claim.

Mr. SCHUYLER. Yes, sir.

Senator McCLELLAN. That is what you are saying?

Mr. SCHUYLER. That sums it up very well, Senator; yes, sir.

Senator McCLELLAN. Very well. Anything further?

Mr. DINKINS. I just want to make one thing clear. Although I used 13 claims in my illustration, I understand that your normal experience only requires 4 or 5 claims with each patent on the average.

Mr. SCHUYLER. No; independent claims.

Mr. DINKINS. Four or five independent claims.

Mr. SCHUYLER. Yes. It is hard to strike an average, Mr. Dinkins, because in a simple case we might have three or four claims to start with, and settle for one. In a case of even moderate complexity we may have 25 or 30 claims and really want most of them and expect to get most of them.

Mr. DINKINS. But you agree, don't you, that 13 independent claims is much to high for the average.

Mr. SCHUYLER. Well, I have said that I think that in our office we would require a minimum under our practice of four or five, something of that order. I don't want to say that there are many cases where 13 would be enough.

Mr. DINKINS. One more thing and I am through, Mr. Schuyler. In my tabulation there did I miss any icebergs?

Mr. SCHUYLER. Mr. Dinkins, I don't think so.

I want to read this proposed amendment.

Senator McCLELLAN. Yes; get your amendment in if you will now. We are trying to move along. We ourselves take up a lot of time, but I want to make a record here.

Mr. SCHUYLER. Yes, sir.

Senator MCCLELLAN. That will inform the Senate as to what is involved here, so that we can make a fair adjudication of it.

Mr. SCHUYLER. The amendment we would propose to H.R. 8190 would be on page 1, line 7, change "$50" to "$75." Line 8 after the comma delete the language "$10 for each claim in independent form which is in excess of one, and," and then in line 10 delete the parenthetical statement "(whether independent or dependent)."

On page 2, line 4, change "$75" to "$120," place a period and delete the remainder of line 4, delete line 5 and delete line 6.

Page 2, line 13, change "$50" to "$75." Line 14, beginning at line 14 strike the language "$10 for each claim in independent form which is in excess of the number of independent claims of the original patent, and ". Line 16, delete the parenthetical statement "(whether independent or dependent)".

Page 5, beginning at line 13 delete remainder of the page. Delete pages 6, 7, 8, and 9. On page 10 line 1 change section 9 to section 4. Line 8, strike the language—well, let's rewrite line 8 to read: "Of this Act does not." Line 19, change section 10 to section 5. Line 23, change section 11 to section 6. I will submit this marked copy.

Senator MCCLELLAN. You have a marked copy of it. Let the marked copy be received as exhibit A to your testimony for reference. We will not photoprint it in the record but let it be received as exhibit A for reference.

(The marked copy of Mr. Schuyler's amendment was marked "exhibit A" for reference and will be found in the files of the committee.)

Mr. SCHUYLER. I have one bit of information I think that may be helpful. I forgot to include it here. This matter came up yesterday of the relationship of the per capita applications in the United States being lower than it is in other countries, and the comparisons were made with European countries primarily. I think that we should look on Europe as a unit, not as a political unit, but as a commercial trade unit as the Common Market is making it. If a man has an invention in France and if he is a French national, in order to protect that invention in his market area he has to file patent applications in all of the countries in continental Europe, and in England as well.

Now that means that if you have 5 inventors in France and 5 inventors in Germany, 5 inventors in 5 or 10 other countries, that is a total of let's say 50 inventors in 10 countries. All 50 of those inventors are going to file their patent applications in France and in each of the other countries. So this greatly increases the number of inventions, the number of patent applications in any one country.

Senator MCCLELLAN. Because that makes a duplication.

Mr. SCHUYLER. It is a multiplication.

Senator MCCLELLAN. It is one invention but a duplication of applications.

Mr. SCHUYLER. It is a fact that you have nationals in 10 countries all filing in each of them, so if you take any one—

Senator MCCLELLAN. They are filed in 10 countries and it counts as an application in each country, yet it is only one invention.

Mr. SCHUYLER. That is right.

Senator MCCLELLAN. Is that what you mean?

Mr. SCHUYLER. Yes.

Senator McCLELLAN. That accounts for the increased number.

Mr. SCHUYLER. I think if you took just the French nationals who file applications in France, you would find their per capita applications are much lower than in the United States, and I think this is true for most of the countries in the information submitted by the Department of Commerce.

Senator McCLELLAN. That explains the statistics.

Mr. SCHUYLER. I think it shows that statistics don't always express the full story.

Senator McCLELLAN. Without explanation they don't always reflect all of the facts.

Mr. SCHUYLER. Yes, sir.

Senator McCLELLAN. Very well. Anything further?

Mr. SCHUYLER. Nothing from me.

Senator McCLELLAN. We wish to thank you very much. If you care to, submit some language along the lines we discussed a while ago. I will leave that up to you. You can submit it to counsel for the committee and we will keep it in the file, and if we have occasion to will make use of it.

Mr. SCHUYLER. Thank you very much, sir.

Senator McCLELLAN. Thank you very kindly. The Chair announced yesterday that the committee has permission to meet again today. I may say that after today, in view of a legislative situation in the Senate, it is unlikely that this committee will be able to hold further hearings on this matter for several days, maybe several weeks.

Therefore today we are going to move with all expedition possible to try to hear all of the scheduled witnesses and get the hearings disposed of, subject to permitting people to file statements if they desire.

I am going to ask each witness now hereafter to be as brief as he can. I am not trying to shut you off, but let's move so we can hear as many as possible, because I don't think we will be able to hold hearings again for quite a long time. All right, the next witness is Mr. Carlton Hill.

Mr. Hill, do you have a prepared statement?

STATEMENT OF CARLTON HILL, TECHNICAL ADVISER TO THE PATENTS AND TRADEMARKS COMMITTEE, ILLINOIS MANUFACTURERS' ASSOCIATION

Mr. HILL. I have filed with the clerk a statement on behalf of the Illinois Manufacturers' Association which I ask be made a part of this record.

Senator McCLELLAN. It will be incorporated in the record at this point.

(The document referred to follows:)

STATEMENT OF CARLTON HILL FOR THE ILLINOIS MANUFACTURERS' ASSOCIATION
RE H.R. 8190

My name is Carlton Hill. I have been technical adviser to the patents and trademarks committee of the Illinois Manufacturers' Association for more than 30 years. As an attorney, I have been actively engaged in the field of patent

law for over 40 years. The IMA, which has its main office in Chicago, Ill., embraces in its membership 5,000 manufacturing firms—large, small and medium sized—engaged in a wide variety of production. I wish to present to this committee our views on several provisions of H.R. 8190.

The Illinois Manufacturers' Association has steadfastly adhered to the belief that the American patent system has contributed and should continue to contribute significantly to the advancement of our technology. From that advancement, we have derived a standard of living that is the highest in the world.

Our patent system gives to the world disclosures of articles, machines, and processes which in many instances would have remained concealed and hidden were it not for the incentive it provides; the incentive being that the inventor's ideas are protected for 17 years. The new developments so contributed add materially to the sum total of available technology. They substract nothing from that which existed before.

Without an incentive to make disclosures of his contribution, the inventor would proceed secretly, if at all. As to many whose developments are "ahead of their time," this incentive may have been woefully inadequate. Certainly any diminution of that incentive could greatly harm the public and weaken our technological economy.

The Congress is now considering a bill (H.R. 8190) which would impose a new schedule of fees for the maintenance of patents, and increase the present patent fee schedules, thereby interfering unnecessarily with the patent system.

MAINTENANCE FEES

It is the belief of IMA that the maintenance-fee provisions of sections 5 and 6 of H.R. 8190 would operate to discourage disclosures of inventions by substantially diminishing the incentive to inventors provided by our present patent laws. Such maintenance fees would particularly discourage individual inventors and small businesses, not only by the continuing tax imposed thereby but also by the necessity of securing opinions from counsel as to the desirability of paying the fees due at the 5th, ($50) ; 9th, ($100) ; and 13th, ($150) years of the life of their patent. Even with the extensions provided, the inventor is ultimately faced with the necessity of paying $325 (including $25 fine) or having the life of his patent shortened by 4 years. In the case of many patents, this last 4 years represents the inventor's only chance to benefit from his invention.

Any alleged "clearing up" of infringement questions incident to this legislation would be more than offset by complications introduced involving the necessity of checking each patent as to its maintenance-fee status.

Furthermore, the administration of these provisions would undoubtedly involve additional expenses which would substantially reduce additional revenues obtained by the Patent Office.

For the foregoing reasons IMA is strongly opposed to the enactment of sections 5 and 6 of H.R. 8190.

OTHER FEES

With respect to the other fee increases, the IMA is not opposed to some increase in fees for the filing and issuance of patent applications. However, the increases proposed are so great as to discourage the filing of such applications, with the result that the disclosure of many worthwhile developments may be prevented. This could result in a far greater loss than any financial gain represented by the proposed increase in filing and final fees. The proposed additional final fee of $10 for each printed page of the specification will have the effect of discouraging complete disclosures, and thus would deprive the public of highly desirable contributions to our technology.

It would appear that the proposed changes in filing fees of section 1 represents an average increase of 200 percent. The increase in final fees proposed under section 2 averages 400 percent. The increase in fees for recording assignments is 300 percent.

It is the view of IMA that any increases in the fees now charged by the Patent Office should be limited to the order of double those now prescribed.

Mr. HILL. I have Mr. Chairman also filed with the clerk of this committee a statement on behalf of the Chicago Patent Law Association.

Senator MCCLELLAN. That statement will be printed in the record, at this point.

(The document referred to follows:)

STATEMENT OF DONALD W. BANNER, SECRETARY, PATENT LAW ASSOCIATION OF CHICAGO, RE H.R. 8190

It is the position of this association that the Patent Office performs a valuable public service, in addition to any services which it provides to individual inventors. It is, for example, a storehouse of accumulated technological information which is thoroughly classified in a manner unexcelled anywhere in the world, and this information is freely available to all members of the public.

There is, therefore, no sound reason for requiring that the Patent Office collect from inventors fees which are so high as to make the Patent Office self-sustaining or substantially so.

H.R. 8190, by requiring that the final fee in patent applications be increased in accordance with the degree of disclosure of the invention, would reduce the amount of technical information made available to the public upon issuance of patents. In addition, H.R. 8190, by providing recording fees of $20 for each patent assignment recorded, imposes an economic burden entirely unrelated to any cost incurred by the Patent Office in effecting such recordings. Furthermore, H.R. 8190, by providing for a direct tax on patents in establishing maintenance fees, one of the results of which would increase—rather than decrease—the work of the Patent Office, is entirely unjustified.

It is, therefore, the position of the Patent Law Association of Chicago that H.R. 8190 is contrary to the public interest and that its passage should be vigorously opposed.

Mr. HILL. The principal part of my testimony, Mr. Chairman, will be on behalf of the Illinois Manufacturers' Association. The Illinois Manufacturers' Association is opposed to the maintenance fees, and I think that it is of value to this committee to know how we arrived at that opposition.

We are an association of 5,000 manufacturers from a little company that does $5,000 business a year up to and including the billion-dollar company, one at least. We met, 12 members of the committee—largely executives of manufacturers, some lawyers for manufacturers—11 were opposed to the maintenance. The 12th member, interestingly enough, was personally opposed, but he represented the billion-dollar corporation and he said "We have plenty of money and plenty of force to take care of these maintenance fees so we are not opposing the maintenance fees."

The association directors are opposed to maintenance fees.

Our second point is we feel that a contribution should be made, that the Patent Office should not be self-supporting, but that some contribution should be made in the order it is now, related perhaps somewhat to the value of the dollar compared to 1932.

Senator MCCLELLAN. There seems to be a general consensus of opinion here so far expressed that we ought to try to recover some two-thirds to 75 percent of the cost of operating the office. Do you have objection to that objective?

Mr. HILL. We think, Mr. Chairman, that that is too much. We think if nothing was recovered, that the contribution to our technology that is made by inventors, by disclosing their inventions, by giving the country something that didn't exist before, it takes nothing away from the commonwealth, we think that we could well afford and it would be a great bargain for the country if no fees were charged. We realize that in an orderly procedure some fees should be charged. Therefore the Illinois Manufacturers' Association— and I don't think it would bring it to 66 percent, I think probably it would bring it over 50 percent—recommend that this matter be taken care of by doubling the existing fee schedule.

Senator McCLELLAN. In other words, you support the previous witness who said the best way to raise these revenues is simply to increase existing fees?

Mr. HILL. Yes.

Now as to maintenance fees, I am an old man, your honor, and I have been in this practice for 45 years. I am head of a firm in Chicago that handles large numbers of patent applications. I have seen patent applications and inventions as the basis for starting many of these 5,000 industries who are now members of the association that I represent—I have seen them develop. The taxes that are paid by those successful corporations based on those inventions certainly warrant support from the public funds.

As to these maintenance fees, objections that I have heard stated by previous witnesses in opposition to the imposition of the maintenance fees are all good, and they are all sound. There is another that I would like to add, and that is the complete chaos that would be brought about in investigating a situation from the little fellow to the big fellow. My firm is asked day after day to make investigations, "Do we infringe patents?"

Senator McCLELLAN. What?

Mr. HILL. "Do we infringe upon an existing patent." They are honest, they want to find out. "Can we go ahead and make this?" We look. If the patent is over 17 years old we say it is out. Now with maintenance fees we would have to look to see whether it was dropped at 5 years, was it dropped at 9 years? Was it dropped at 13 years? If we find the fee wasn't paid, are we going to have to look and see whether an affidavit was filed? It is immensely complicated. With due deference to my good friends from the Patent Office—in this long period of time Commissioner Reynolds has been a good friend of mine—I think that the cost of administration is going to be much greater than they say, because of one little thing. The chairman yesterday asked the question, How are we going to know if these affidavits are sufficient?

The Commissioner said, "We will look into that." Imagine the force required in checking these affidavits. I think that the estimate of 2 percent should be 20 percent.

Now we talk about why are we justified in taking the position that the Patent Office should be partly supported by public funds. Let's say that doubling the fees would bring it up to 50 percent. It might bring it to 60. I don't know the figure, but let's say that. Since 1932 we have had television, we have had automatic washing machines, we have had power steering and power brakes, transistorized equipment, the great gain in solid state physics that has brought on important developments. We have had the automatic cameras, we have had computers, we have had the improved copying machines that enable us to turn all this out. Those things came and it is recognized, and I certainly was proud and happy to be here to see that this committee and everybody who testified before this committee recognized that the incentive of the patent system is a valuable incentive. If only one of these industries had failed to exist because of discouragement of the inventor, our economy would have lost immeasurably more than be could be gained by maintenance fees. For those reasons we oppose the maintenance fees. I have had much experience and I have

seen hundreds of little inventors and I have seen them every day. Over my experience I have been proud to say that in America and Canada we don't have a tax on patents.

We are glad to have these disclosures by inventors. The maintenance fee is a tax. It is a new kind of tax to be raised. We are opposed to that kind of a tax. These foreign statistics are misleading for reasons beyond those, Mr. Chairman, and gentlemen, beyond those expressed by Mr. Schuyler in that in Germany, in England, and many other foreign countries, patent applications can be filed by companies. They don't have to be filed by an inventor as in this country, and a large number of them are in fact filed by companies.

A large number of the German applications are filed by American companies, a good many. We want to take advantage as much as we can of competing in that market and getting in there, starting our own industry in that market, where we can take advantage perhaps of some more favorable economic conditions.

Now—I am talking now about 8190, the bill before this committee. This $10 per independent claim contains vices I think beyond those expressed by the previous witness. I haven't had an opportunity to make a great sampling. I have talked to my colleagues and friends in this room. And I did talk to 20 lawyers in my firm who prepare patent applications every day. I said to them this: "How many independent claims do you need to properly protect the ordinary and simple patent application that goes across your desk?"

The answers were different—attorneys told me different numbers of independent claims, from 5 to 12. As to one independent claim, I have had experience in the courts in nearly every circuit in this country, in the district courts in this country, and in the Supreme Court of the United States, and unless the inventor can spell out in different language of a number of independent claims, those facets of his invention which may enable him to run the gauntlet, he can't get the protection he needs.

I agree that he can prepare an application acceptable to the Patent Office, and it would be easier for the Patent Office to examine.

It would contain the disclosure. I wrote down a little note yesterday when I heard this testimony. I was doodling. That is a habit I guess. I said less work for the attorney, less work for the Patent Office, and then next I said lousy protection with one independent claim. I think the previous witnesses in opposition have expressed themselves well as to the reasons for opposition. I may conclude, and I will be glad to answer any questions, I may conclude by saying, Mr. Chairman, that the Chicago Patent Law Association does not suggest an alternative, but is opposed to this legislation. So my testimony in suggesting that some of the needed extra money be taken care of by doubling the present fees is that of the Illinois Manufacturers' Association.

Senator McClellan. Thank you very much, Mr. Hill.

So far I don't believe we have found anyone who objects to our raising some more revenue. Now you think it would be better to go the other way, but you are not seriously objecting to our efforts to raise some more revenue as I understand it.

Mr. Hill. I am not objecting to the raising of more revenue by increased fees. I do object on behalf of both the organizations I represent to the imposition of a new tax.

Senator McCLELLAN. Yes; I understood that.

Mr. HILL. By maintenance fees. I object.

Senator McCLELLAN. Your general idea is that it would be better, in other words, the less you exacted from the inventor, the better it would be because the country benefits from his invention if it is any good, and therefore the public does have an interest, industry has an interest, we all have an interest, and you would have no objection if there is no charge made. But since we are going to charge and since we are going to raise some revenues and since a good many feel that the present 30 percent of recovery is not adequate, you simply suggest forgetting about the maintenance fee, but simply add it to existing fees.

Mr. HILL. By doubling them. The chairman, if he will indulge me for just a minute, we sort of arrived at that this way. The mechanic who came into the office of myself or my colleagues in 1932, probably if he was a skilled fellow he made $1 per hour. Probably now he makes $2.50. He can stand to pay double the fees.

Senator McCLELLAN. All right, thank you.

Senator Burdick, any questions?

Senator BURDICK. Just one question. It has been made pretty clear that we have to have increased fees. You don't want them in the maintenance area.

Mr. HILL. I do not.

Senator BURDICK. Would the increase of the existing fees such as you have described, tend to discourage small inventors from filing for patents?

Mr. HILL. I think not for the reason that I stated. The mechanic who is a small inventor wasn't discouraged in 1932 too much. He hasn't been discouraged because we see this vast array of things that have come into being since 1932. And I think why it would not discourage him, let's take a mechanic in 1932, he probably made $1 an hour. He is probably making $2.50 now. My figures may be wrong. But it is a question of the value of the dollar as to what he is making. That is why we do not object to say doubling the fees.

Senator McCLELLAN. In other words, in doubling it you are not charging him any more than you did in 1932.

Mr. HILL. Really, that is what I think.

Senator McCLELLAN. In the purchasing value of the dollar.

Mr. HILL. Yes.

Senator McCLELLAN. Well, actually you are charging him a little less. Thank you very much.

Mr. HILL. Our statement is increasing the present fees in the order of doubling them. It will bring a substantial amount of increased revenue, and in our opinion it will not so discourage the flow of inventions as to hurt our economy.

Senator McCLELLAN. Thank you very much, Mr. Hill.

Mr. HILL. Thank you.

(Supplement to Mr. Hill's statement follows:)

SUPPLEMENT TO STATEMENT OF CARLTON HILL, MADE ON BEHALF OF ILLINOIS MANUFACTURERS' ASSOCIATION AND THE PATENT LAW ASSOCIATION OF CHICAGO

We further object to the provisions of H.R. 8190 which involve additional charges of $10 per page for each printed page of the specification. Incorporation of such provisions would, in our opinion, have a tendency to seriously limit dis-

closures of inventions contained in the patents as issued. Those issued patents constitute a very valuable section of our technical writings. If they are limited so that the disclosures are less than complete, it is the public which will suffer. It is our view that every effort should be made to encourage rather than to limit disclosures of inventions as they appear in issued patents.

Senator McCLELLAN. All right, our next witnesses are Mr. Perry and Mr. Nichols.

Will you come around, gentlemen?

STATEMENT OF J. P. PERRY, NATIONAL SMALL BUSINESS ASSOCIATION AND AMERICAN SOCIETY OF INVENTORS

Mr. PERRY. Mr. Chairman, Mr. Nichols was unable to attend today. He was here yesterday.

Senator McCLELLAN. I am sorry, we do the best we can.

Mr. PERRY. I know his view on these matters and I will present them.

Senator McCLELLAN. All right, Mr. Perry. Do you have a prepared statement?

Mr. PERRY. A prepared statement was submitted earlier this week. However, there has been some expansion. It is a very short statement and with the committee's permission I would like very much to read it.

Senator McCLELLAN. Do you want the other statement in the record and you want to read a brief statement today; is that right?

Mr. PERRY. I would like this statement that I am to read to be the statement of the record.

Senator McCLELLAN. Instead of the other statement you submitted?

Mr. PERRY. That is correct.

Senator McCLELLAN. The other statement submitted by this witness will be withheld from the record and therefore we will accept your statement that you present now.

Mr. PERRY. Thank you, sir. I am J. P. Perry, chairman of the patent policy committee sponsored by the National Small Business Association of Washington, D.C. I am also president of the Eastern Rotorcraft Corp. of Doylestown, Pa., a creative small business employing approximately 150 persons. We produce cargo-securing and cargo-handling equipment, and most of our products are of our own design and are the subject of existing U.S. patents.

I was scheduled yesterday to have with me Mr. Edgar B. Nichols, of the Nichols Products Co., Morristown, N.J., who was to be here representing the American Society of Inventors, headquartered in Philadelphia.

Senator McCLELLAN. May I ask you, does he have a prepared statement that he has left with you?

Mr. PERRY. No; he has not. I am to state his views. I am familiar with them.

Senator McCLELLAN. Very well.

Mr. PERRY. The views which I am expressing here in a large part are representative of the position of the society, of which I also happen to be a member.

We believe that the position of small business and individual inventors on H.R. 8190 has not been presented to the Congress in any great detail, and it is our purpose to present these views insofar as we have been able to determine them. We do not represent to the committee

that we have been able to obtain a comprehensive consensus of the view of either creative small business or individual inventors. We have, however, contacted what we believe to be a significant cross section of those groups having an interest in the subject matter.

The general feeling on the part of small business and inventors is that they do not object to the proposed increase in filing, issuance, and assignment fees if this will result in the patents themselves being more meaningful and also result in increased efficiency in the U.S. Patent Office. Patents are presently an increasingly frail property right, and have almost no value with regard to the Government itself, particularly where related to national defense.

There is general, but not unanimous, agreement that the operation of the Patent Office should not be at a substantial loss. However, there is also some concern that if the fees themselves become too great there may be a tendency on the part of some creative industry to avoid disclosure of the invention. This would be particularly true in cases where the invention incorporates processing not susceptible to reverse engineering. We have received some evidence which would suggest that this may be a growing tendency even at present, due to shortcomings in the patent system.

It is our opinion that the revised schedule of filing, issuance, and assignment fees, without consideration of maintenance fees, should prove adequate to place the operation of the Patent Office in balance.

This conclusion we believe will be particularly pertinent if the agencies of the Government are subject to this same fee schedule, and further that the Patent Office is not required to carry forward validity searches without cost to requesting agencies.

We understand that a significant portion of current Patent Office costs may result from such circumstances.

Senator McClellan. That is for doing services for other agencies of Government without pay?

Mr. Perry. Yes. That is correct.

Senator McClellan. Do you feel that the Patent Office should be reimbursed by the other agencies for services it performs for them?

Mr. Perry. That is correct, particularly in the case of validity searches conducted in behalf of the Department of Defense or the Department of Justice by the Patent Office. If such validity searches were to be done by the patent holder it would be done by his attorney at his expense. Comprehensive validity searches can be quite expensive. Clearly the Patent Office should not have to bear these burdens.

This conclusion regarding the revised fee schedule has been developed as a result of an analysis of several typical patent portfolios of companies who are members of the small business patent policy committee. It is our conclusion that the average increase in cost to patent holders of continuing to patent new developments would be about four times the present cost. It is understood that the present fee schedule covers 30 percent of the expense of operating the Patent Office. A fourfold increase should therefore remove the present deficit.

While the level of fees proposed is adequate in our opinion to cover the cost of operating the Patent Office, we would like to suggest certain revisions in the amount and manner of application.

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Firstly, we would suggest that the basic filing and issuance fees of $50 and $75, respectively, be reversed, because we believe that a higher filing fee will reduce the number of frivolous applications with a substantial decrease in Patent Office expense, and moreover, we believe that the greater portion of Patent Office expense is incurred in connection with examination of filed claims rather than with the issuance of the patent proper.

Secondly, we would suggest a reduction from $10 to $5 of each page of specification in the issued patent, because one of the primary functions of the patent system is to provide full disclosure to the public of the invention, and a high cost per specification page could inadvertently discourage full disclosure.

Our greatest concern with the legislation is the provision for maintenance fees. Most of the persons we have contacted concerning the bill have been opposed to maintenance fees for a variety of reasons. We have previously noted that the schedule of revised fees for filing, issuance, and assignment represents a fourfold increase in the present schedule and the introduction of maintenance fees would represent additional costs about five times present costs.

For example, for my company—its presently held patents (numbering 38) under the present schedule of fees have Patent Office costs of $2,400; under the revised schedule they would cost $9,410 and would require in addition maintenance fees of $11,400 during the life of the patents.

We might note that maintenance fees are viewed by some as an oblique form of taxation, possibly subject to subsequent increases and perhaps to levies by bodies other than the Federal Government. Should such events transpire, the end results would be to discourage inventiveness and disclosure, thereby creating quite the opposite of the desired effect of the patent system.

In any event we do not believe that maintenance fees are needed at present to cover the costs of operating the Patent Office, and that additional study needs to be given to the potential economic and social implications of such fees.

We appreciate the opportunity of presenting our views to this committee, and I would be happy to answer any further questions you may have.

Senator McClellan. Any questions, Senator Burdick?

Senator Burdick. Just one or two, Mr. Chairman.

I think you said that you would like to have a higher filing fee?

Mr. Perry. That is correct.

Senator Burdick. To discourage, you said, frivolous applications.

Mr. Perry. That is correct.

Senator Burdick. Then the size of the fee has a bearing on the filing of patents; doesn't it?

Mr. Perry. Well, inadvertently. I am thinking here, Senator, of people perhaps who don't patent inventions but invent patents. There is pride of authorship. It is a great thing on the cocktail circuit to say you own a patent.

Senator Burdick. A fellow out in North Dakota who has a new mousetrap is going to be conscious of what these fees are, isn't he?

Mr. Perry. Pardon?

Senator BURDICK. He is going to be conscious of what the fees are.

Mr. PERRY. The present existing or the newly proposed?

Senator BURDICK. The presently existing and the newly proposed.

Mr. PERRY. Yes.

Senator BURDICK. He is going to make a comparison.

Mr. PERRY. He will be conscious of it; yes.

Senator BURDICK. So if a higher fee will discourage frivolous claims it might also discourage bona fide claims?

Mr. PERRY. I think that any real invention, if this invention of his has real substance he will find a way of doing it. I don't think that the change in the fee will be adequate to discourage it.

Senator BURDICK. One witness testified a few minutes ago about doubling the existing fees. Wouldn't that tend to discourage applications?

Mr. PERRY. The fees, Senator, are small really in comparison to what the legal expenses are.

Senator BURDICK. I am not inquiring into that field at this time.

Senator MCCLELLAN. Thank you very much, Mr. Perry.

The next witnesses will be Mr. Hutton and Mr. Lederer. Will you come around, please? Gentlemen, there are three of you. I have identified two.

STATEMENT OF RICHARD J. HUTTON, CORPORATE TREASURER, THE CONARD PYLE CO.; ACCOMPANIED BY ROBERT F. LEDERER, NATIONAL ASSOCIATION OF PLANT PATENT OWNERS AND AMERICAN ASSOCIATION OF NURSERYMEN; AND HARRY C. ROBB, JR., ATTORNEY

Mr. HUTTON. My name is Richard Hutton.

Senator MCCLELLAN. Who is the other party with you?

Mr. HUTTON. Mr. Lederer on my right of the American Association of Nurserymen, and Mr. Harry Robb on my left, a patent attorney.

Senator MCCLELLAN. Very good. You may proceed. You have a prepared statement?

Mr. HUTTON. I have, sir.

Senator MCCLELLAN. Do you wish to file it and highlight it?

Mr. HUTTON. It has been filed, and I would like to highlight it at this time.

Senator MCCLELLAN. It has been filed and it will be printed in the record in full at this point. You may proceed, Mr. Hutton.

(The complete statement of Mr. Hutton follows:)

STATEMENT OF RICHARD J. HUTTON

My name is Richard J. Hutton and I am corporate treasurer of the Conard-Pyle Co. at West Grove, Pa.; vice president of the National Association of Plant Patent Owners; and in addition appear here today as a representative of the American Association of Nurserymen. With me is Mr. Robert F. Lederer, executive associate of the American Association of Nurserymen.

Mr. Chairman, first I would like to report as a representative of the nursery industry that we support an increase in patent fees. We are aware that it has been many years since these fees have been increased. Patentholders in our industry are agreed that we should pay more to obtain patents in the future. We are, however, very much opposed to introduction into our patent system of the "maintenance fee" concept contained in section 155 of H.R. 8190 as adopted by

the House of Representatives and now before this committee. The organizations I represent have seriously considered this matter since original introduction of the maintenance fee concept to the 88th Congress. We would like to describe the effect such a maintenance tax will have on plant patents. We are not qualified to discuss its effect on any other type of patent.

Briefly may I quote from Senate Report No. 315, dated April 2, 1930. This is the report covering legislation which made plants eligible for patenting in the United States. The report states that the bill before the Senate at that time was—

"To afford agriculture, so far as practicable, the same opportunity to participate in the benefits of the patent system as has been given industry and thus assist in placing agriculture on a basis of economic equality with industry."

It goes on to say—

"Today the plant breeder has no adequate financial incentive to enter upon his work. A new variety, once it has left the hands of the breeder, may be reproduced in unlimited quantity by all. The originator's only hope of financial reimbursement is the high prices for the comparatively few reproductions that he may dispose of during the first 2 or 3 years. After that time, depending upon the speed with which the plant may be asexually reproduced, the breeder loses all control of his discovery * * *. Today plant breeding and research is dependent, in large part, upon Government funds to Government experiment stations, or the limited endeavors of the amateur breeder. It is hoped that the bill will afford a sound basis for investing capital in plant breeding and consequently stimulate plant development through private funds."

Mr. Chairman, the plant patent system has certainly attained that goal. There are in existence currently more than 2,366 plant patents—developed by private industry without the help of Government funds. Four hundred and fifty of these patents cover food-bearing plants—plants that are of better quality, offer higher yields, require less care because of their resistance to insects and disease and, as a result, make available to the consumer a cheaper better product. The Plant Patent Act has also led to the development of plant material which is resistant to disease, drought, and cold, all without the aid of Federal funds.

How will maintenance fees affect plant patents? Consider a fruit tree or a shade tree where a patent is issued on the basis of one original discovery. In other words, one tree has exhibited characteristics which are different enough to make it patentable. When a patent is issued, cuttings are taken from this tree and planted. These must be grown to a salable size before being sold. This can take as much as 7 years before any return is received. In the case of the fruit farmer, he waits 3 to 6 years more before the tree bears fruit and begins to give him a return on his investment. Therefore, it can be 12 years from the time a tree is patented before the variety becomes sufficiently well known in the trade and among gardeners for its sales potential to be realized. This gives the patent owner as little as 5 years to fully benefit from a patent and by this time, were H.R. 8190 to become law, he has invested or owes more than $400 to the Federal Government in the original fees involved in obtaining the patent and the accumulated maintenance fees which must be paid at the end of the 13th year if the patent is to remain in force.

Those sections of the agricultural industry to whom plant patents are important for their survival are small businesses and as such would be heavily penalized by the adoption of maintenance taxes in our patent fee system. The margin of profit is certainly less for small business and maintenance taxes will eat into our profits by appreciably increasing overhead. Many of these businesses, though small, are incorporated. Under the provisions of H.R. 8190 these small corporations would not even have the privilege of deferring payment of maintenance fees.

With patent fees being increased by more than 700 percent the number of patent applications will undoubtedly decrease because incentive in plant breeding will decrease. This will naturally lead to Government agencies stepping in to fill the void and there is little doubt that most Government research is more expensive for the return than is privately sponsored research. Certainly it is more expensive to the taxpayer. Most of the improved varieties of fruit and ornamental plants in America have come about as a result of the efforts of commercial plant breeders to whom the plant patent law provides a means of obtaining fair recompense for their labors. Greatly increased patent costs will surely reduce the incentive of these people and result in a return of responsibility for a large part of plant breeding to Government agencies. Such a course could speedily place us in

the position of the U.S.S.R. where plant breeding is exclusively in the hands of Government scientists and new plant developments are insignificant.

In our own business and that of any other patent owner recordkeeping costs will be greatly increased because of these maintenance taxes. First of all it will become necessary for us to keep track of when the maintenance fee comes due. We will be forced to continually evaluate whether or not a patent should be kept in effect. We will find our costs increased by the work involved in keeping track of patents owned by others and it will be a most difficult accounting problem to say specifically whether or not a particular plant patent has been profitable. Like breeding thoroughbred horses, it takes many steps sometimes to create a winner in plants and with the research that has gone into these steps successive plant patents must be guarded. As generation after generation of plants are bred, along the way we might have many little seeming winners but we do not, as we go along, allocate our costs to each item. Therefore, we would be hard pressed to state correctly, in fact in many cases it would be impossible for us to say with conviction, that one item had been profitable and the other had not. Yet the Patent Office claims that their costs of administering such fees will be little more than existing costs. Gentlemen, you as businessmen, know this is not true. If I did not know that the bar associations are against this conception of maintenance fees I would believe the patent lawyers to be the sponsors of this bill. It will certainly increase the fees we are presently paying patent lawyers and will mean we have to check with them on whether a particular patent is still in force.

The increased costs which will come about by adoption of a maintenance fee cannot be absorbed by patent owners. It is just one more step in our never ending inflationary spiral that penalizes the consumer most of all for surely these costs will be passed on to him. The worst part about it is that it is our understanding that patents that are allowed to expire at the end of 5, 9, or 13 years will in no way reduce the load of the Patent Office. All expired patents as well as those still in effect, must be checked before a new patent can be granted.

The maintenance tax concept is taken from European countries whose economic systems are very different and underdeveloped when compared to ours. There is small reason for us to copy them. Maintenance taxes defeat the purpose and intent of our patent system in its original conception by placing a tax on American ingenuity. Economic benefit has been realized from many patented plants that never resulted in income to the patent owner, through their value for breeding purposes only, while under patent protection.

We respectfully urge you to increase patent fees but do not impose on the patent system of this country a maintenance tax as proposed in this legislation.

Thank you for the opportunity of appearing before you today and giving the views of the nursery industry.

Mr. HUTTON. We support an increase in patent fees. We are, however, very much opposed to the introduction into our present patent system of the maintenance fee concept contained in H.R. 8190. We would like to describe the effect that such a tax would have on plant patents. We are not qualified to discuss its effect on any other type of patents.

Under the plant patent law, 2,366 plant patents have been developed by private industry without the help of Government funds; 450 of these patents cover food-bearing plants, plants that make available to consumers a cheaper and better product.

If a fruit tree exhibits characteristics which are different enough to make it patentable, it can take as much as 7 years before any return is received.

The fruit farmer waits 3 to 6 years before the tree begins to bear fruit and begins to give him a return on his investment. Therefore it can be 12 years from the time a tree is patented before the variety becomes sufficiently well known in the trade and among gardeners for its sale potential to be realized. This gives the patent owner as little as 5 years to benefit from a patent. By this time he has invested or owes more than $400 to the Federal Government.

Plant patents are important to the small nursery business, and they would be heavily penalized by the adoption of maintenance taxes. With the patent fees being increased by more than 700 percent on a successful patent, the number of patent applications will undoubtedly decrease because incentive for plant breeding will decrease. This will naturally lead to Government agencies stepping in to fill the void.

Most of the important varieties of fruit and ornamental plants in America have come about as a result of the efforts of commercial plant breeders to whom the plant patent law provides a means of obtaining fair recompense for their labors. America is now leading the world in plant breeding. Greatly increased patent costs will surely reduce incentive and result in a return of responsibility for a large part of plant breeding to Government agencies, which could speedily place us in the position of the U.S.S.R. where plant breeding is exclusively in the hands of Government scientists and new plant developments are insignificant.

In our own business and that of any other patent owner, record-keeping costs will be greatly increased because of these maintenance taxes. The Patent Office claims that their costs of administering such fees will be little more than existing costs. I don't believe that this can be true.

The maintenance tax concept is taken from European countries, whose economic systems are very different and underdeveloped when compared to ours. There is small reason for us to copy them.

Maintenance taxes defeat the purpose and intent of our patent system in its original conception by placing a tax on American ingenuity.

We respectfully urge you to increase patent fees in a reasonable and realistic manner.

Senator McClellan. What do you recommend, what percentage of increase, double, triple?

Mr. Hutton. Doubling the existing fees would certainly seem reasonable.

Senator McClellan. Do you agree with the general objective of this legislation, to bring the recovery up to some two-thirds or 75 percent as a fair and equitable amount?

Mr. Hutton. Yes; that certainly seems reasonable, on the basis of present Patent Office costs.

Senator McClellan. Very well.

Mr. Hutton. Thank you for the privilege of presenting this statement.

Senator McClellan. I did not mean to interrupt you.

Mr. Hutton. If there are any questions I would be pleased to answer them.

Senator McClellan. Of course the general objective of this legislation is to bring in more revenue, so that the inventors and patent holders pay a larger share of the costs of the Office.

Mr. Hutton. As it should be.

Senator McClellan. That is the real objective. I am trying to find out if there is any objection to that being done, if the trade, the profession, the inventors and so forth feel that that is a reasonable adjustment of these fees, and so forth.

Mr. HUTTON. It certainly is reasonable, as long as the Office does not unnecessarily add to its costs.

Senator MCCLELLAN. I appreciate that. We are only contemplating here the means and methods of applying the fees to get the revenue.

Mr. HUTTON. And in our position of small business, the maintenance taxes would greatly increase our overhead, recordkeeping, which is phenomenal for an organization such as ours already.

Senator MCCLELLAN. All right, Mr. Hutton. Thank you very much.

Do either of you other gentlemen have any comment?

Mr. LEDERER. No, sir.

Mr. ROBB. Mr. Chairman, I would just like to point out that in the case of plant patents we don't have this independent and dependent claim situation.

Senator MCCLELLAN. You don't have that problem?

Mr. ROBB. We do not have that problem in plant patents.

Senator MCCLELLAN. I see. So that is not your problem.

Mr. ROBB. No.

Senator MCCLELLAN. Gentlemen, thank you very much for your appearance.

Mr. HUTTON. Thank you, sir.

Senator MCCLELLAN. The next witness is Mr. Robertson. Come around, please, sir.

Very well, sir, will you identify yourself for the record. Do you have a prepared statement with you?

STATEMENT OF LOUIS ROBERTSON, ATTORNEY, CHICAGO, ILL.

Mr. ROBERTSON. I have a prepared statement; yes. I have a great deal more than is in the prepared statement. I appear here purely in a personal capacity. I have no association that I am representing. I hope you will be able to see later that I can reasonably claim to be speaking on behalf of all the American freelance inventors and a great many patent lawyers whose associations are not speaking the views of these patent lawyers who are in the grassroots of the patent profession.

Senator MCCLELLAN. Very well, Mr. Robertson. Your statement will be received and printed in the record at this point.

(The complete statement of Mr. Robertson follows:)

WE ARE ABOUT TO DISCOURAGE INVENTION

(By Louis Robertson)

No business in the world would think of posting by its suggestion box a sign reading, "No suggestions will be considered unless $10 is attached to cover the cost of considering the suggestions." Yet the Federal Government is about to impair the national incentive system (the patent system) in a similar manner. The administration has decreed that the U.S. Patent Office must be treated as rendering a service to inventors and therefore inventors must pay for the cost of this "service." In the last Congress, the administration bill was approved by the appropriate committee of the House of Representatives, and a revised version was approved by the corresponding committee of the Senate. A bill similar to the latter version has passed the House as H.R. 8190 (Congressman Willis).

This bill, besides greatly increasing the modest "filing" and "final" fees now paid, would require payment of three maintenance fees if an inventor chose to maintain the patent in force for its full 17-year term. These maintenance fees

would total $300, making total Government fees $425 as a minimum, $600 or more being common. Even these huge increases apparently will not be the last, for they may not achieve the aim; namely, to recover 75 percent of the expected appropriations for the Patent Office. The only relief provided for a private or freelance inventor is that he could delay the first two of his three maintenance fees until the third was due, but only if "the total benefit received" by him or anyone else interested in the subject matter "was less in value than the amount of the fee."

In 1954 Congress enacted a minor tax alleviation for individual inventors to insure their being able to treat royalty receipts as capital gains, so that they would not have to pay more than 25 percent tax on these royalties. Apparently Congress recognized then that a larger percentage would either be unfair or an unwise impairment of the patent system's incentives. Now we are about to pass a bill which risks taking 100 percent of inventor's first profits—which may also be his last. Indeed, the bills appear to take the inventor's first receipts, even if he has not yet recovered his investment.

Only a small percentage of private inventors are financially successful. Estimates have run as low as 2 percent. More cautiously it seems safe to state that the great majority of private inventors never receive a cent to offset their investments of time and money. In some cases, the inventions simply lack real merit. In other cases, the inventors are ahead of their times (extensive use of the invention coming only after the patent has expired). Probably in most instances, however, the invention has moderate merit and would have a fair chance of being at least mildly successful if energetically marketed, but no manufacturer is found who is willing to take the risks involved to find out. Even some inventors who find an interested manufacturer and license him, are still disappointed. The business may never get started, or may soon die out. This may be due to lack of merit or lack of public appeal in the invention, or due to inadequate handling by the manufacturer. In such instances, the inventor may or may not have been able to insist on some advance payment, perhaps a few hundred dollars.

In any event, the great majority of private inventors will be confronted with a very annoying decision when their patent is 13 years old. These inventors will have varying degrees of hope that in the remaining 4 years they may yet be fortunate enough to recover their investment or even make a profit. If they have received no benefits and hence have deferred the first two maintenance fees, they will now have to either give up all lingering hope of recovering their investment or else pay an additional $300. Advocates of maintenance fees speak of an advantage of getting rid of useless patents. But if no one is interested in using the invention, what is the advantage? And if some one is interested, is early termination fair to the inventor?

Of course, the inventor's first painful decision must be made when he decides whether or not to file a patent application. That is a very complex undertaking for which an attorney is virtually a necessity. The inventor will be fortunate indeed if he can get a preliminary novelty search made and an application filed for a total cost as low as $300. Before investing this he should consider not only the maintenance fees (if Congress enacts them) and the poor chances of financial success already mentioned, but the costly and uncertain struggle through the Patent Office (almost all applications being initially rejected) and the tremendous cost and greater uncertainty if he should need to assert his patent against any infringer in the courts.

This is such a bleak picture that one may well wonder why inventors ever embark upon such a program. Fortunately for progress, the possible rewards are high. Even moderate royalties were described by the properly appreciative wife of one inventor as "the nicest way to make some extra money."

A reluctance to risk, at "long shot" odds, money needed for the family expenses undoubtedly deters many inventors; and neither they nor their inventions may ever be heard of. Perhaps the consequent disproportion of unmitigated optimists who are not deterred is the reason the "typical inventor" has a reputation for being a poor businessman. Certainly many who do seek to patent their inventions make an unsound business decision in doing so. Even though an invention may have considerable merit and represent a substantial benefit to the public, there is often just too little chance that the inventor can be successful in getting it on the market; or the volume of sales really expectable may be too small; or the scope of the patent's protection from competition may be too narrow.

Surely if any conclusion can be drawn from the discussion so far, it is that if the underlying theory of our constitutional provision for a patent system to benefit the public by encouraging invention is sound, we must find ways to make the patent system more attractive, not less attractive.

This may raise the question of how much benefit is the public deriving from the patent system now? Some measure of this is in the fact that almost a thousand inventions are patented each week. About 70 percent of these are granted to corporations. Encouraging corporations to spend money on research and to invest in perfecting and marketing the resulting inventions may be even more important than encouraging independent inventors. It is impossible to know, and unsafe even to estimate, what proportion of these inventions we would have without the patent system. Let us assume that we would have most of them anyway. (This is an unsafe assumption because it is impossible to predict how corporate attitudes toward research or marketing risks might gradually change if experience should show that it is better to copy competitor's developments freely, than to risk much money pioneering only to have competitors copy and improve.) Whether the increment that is attributable to the patent system is 10 percent, 25 percent, or more, it is important.

Proper functioning of the patent system is vital if we are to maintain a maximum rate of industrial growth and economic expansion. In turn it is vital also for maintaining our maximum ability to discourage aggression and to defend ourselves if need should arise. Is it wise to enact any change in our patent system which may decrease the flow of inventions by even 1 percent? Among the 1 percent we would probably lose not only a large number of minor inventive improvements relating to all phases of our life, but an occassional industry-founding invention. This could well be a shortsighted policy even from the purely fiscal standpoint, for the loss of one industry-founding invention in 10 years might well cost more in future taxes which would have been derived from that industry and from all of its employees and all of its suppliers, than the total cost of the Patent Office.

So far as the public records show, no one in the Government, whether in Congress or in the administration, has given any careful study to the question of whether such huge charges to the inventors as those proposed in the bill would be wise. No one has evaluated what we might lose, nor even whether the higher charges would be fair. This criticism is nonpartisan: present and past administrations and both political parties appear to share the blame about equally and even industry and patent law organizations have been similarly negligent.

A statement filed by the Commissioner of Patents before the previous Senate committee included an attempted answer to the argument "higher fees mean fewer applications." This answer started as follows: "This objection is leveled against any bill that proposes to raise fees. It is, I believe, ill founded." Yet at another point the Commissioner had already stated, "No matter how little fees are raised, it might tend to deter the filing of a few applications. Even so, a fee bill should be so structured to minimize any such adverse effect on filing, *consistent with the income that must be recovered.*" [Emphasis added.] Nowhere did the Commissioner give any answer, nor has any answer been found anywhere, to the proposition that decreasing the number of patent applications (and hence decreasing the propagation of inventions) is against the public interest.

To the extent that the Commissioner answered the objection that "higher fees mean fewer applications," his answer may be divided into two branches: one, that the decrease in applications might not be great, and two, that if 75 percent of the cost of the Patent Office is to be collected in fees, it is better to do it by maintenance fees than by even larger prepatenting fees than those proposed in the bill. On the latter point, the Commissioner's views are probably sound—if the premise that anything like 75 percent must be collected is sound.

On the question of how much invention would be retarded, one of the Commissioner's arguments was that the per capita filing of application in the United States with its present relatively low fees is less than in many European countries where there are high annual taxes after the patent is granted. Attaching any significance to this fact ignores another fact which the Commissioner stated: "A large proportion of the applications filed in these countries are filed by U.S. companies." In other words, even that small proportion of the U.S. inventions which merit patenting abroad so load the statistics in countries of small population that they seem to have a higher per capital filing of applica-

tions than does the United States. Had a mere 7 percent of the applications filed in the United States been deemed worthy of filing in little Switzerland, this would have accounted for all of the applications filed in Switzerland.

A more significant figure was stated by a Patent Office representative at another point: "The proportion of patents issued to corporations in most of the major foreign countries now runs about 80 percent, whereas in the United States it is presently around 70 percent." This sounds like a minor difference, but let us compare the remainders, which are filed by individual inventors. In the United States this is 30 percent, 50 percent higher than the foreign countries' 20 percent. Moreover, 20 percent of Germany's 55,000 applications is only 11,000, while 30 percent of the 77,000 U.S. applications (1956–60 average) is 23,000, over twice as many. What percentage of this 50 to 100 percent difference is discouraged by Germany's annual taxes—and would be discouraged by our maintenance fees?

THE QUESTION OF FAIRNESS

On the question of fairness of making inventors pay 75 percent of the support of the Patent Office, the question could be phrased as follows:

Is it more fair to (1) have all taxpayers continue to share the larger portion of the administrative cost of encouraging invention, this share being only about 10 cents a person per year; or (2) concentrate this burden on inventors and their assignees at the high figures indicated above? At only 10 cents a year, perhaps the taxpayer would not even worry about fairness, but let us consider it anyway.

Is it proper to treat the transactions between the inventor and the Patent Office as primarily a Government service to the inventor? Isn't it rather the other way around, that the inventor serves the public? First of all the inventor makes the invention, and if the patent is issued, discloses it to the public. Surely this is serving the public. Indeed the inventor can reap no benefit without successful marketing, and that too is a benefit to the public. It was certainly the public benefit that the constitutional fathers had in mind when they included the provision making possible the patent system "to promote the progress of * * * the useful arts."

If we look into the details of the transaction between the inventor and the Patent Office, we find in the first instance that the inventor brings to the Patent Office a costly disclosure of the invention. This is something that the Government is anxious to disseminate. The public policy in this regard is shown by the low fee that Congress has expressly provided for sale to public libraries of printed copies of all the patents issuing each year. The fee is $50, although these copies would cost a private purchaser $12,000. Other agencies of the Government disseminate technical bulletins at a far greater cost per bulletin than would be the average cost per patent if the Government paid the entire Patent Office costs. This is because other agencies prepare the manuscript as well as paying for the initial printing, while the Patent Office has the manuscript given to it free. The cost of printing these free manuscripts for public dissemination is one substantial item in the cost of the operation of the Patent Office. Such printing is not necessary for the granting of patents. Canada grants patents at virtually no cost in the granting step by merely attaching a patent certificate to a carbon copy of the application papers, furnished by the applicant.

The major cost of operation of the Patent Office, however, comprises the salaries of the examining corps. The primary purpose of all the examination work is to represent the public interest in deciding whether or not a patent should be granted, and, if so, the scope of protection which the public is willing to grant. It is true that under our present form of patent law, in which invalidity by technicalities is a major danger, the inventor also may derive some benefit from this examination, in reducing this danger. But this is offset by an ever-present danger that the examiner's commendable zeal on behalf of the public will whittle down the inventor's protection to less than he was really entitled to receive. An important part of the expense to an inventor in obtaining a patent is combating this zeal the examiner exerts on behalf of the public.

The $300 in maintenance fees is based on the assumption that most of the patents will be allowed to lapse. Thus, we will tax the owners of the remainder to pay the shares of their less fortunate brothers. Is this fair? If it is public policy to be easy on the unsuccessful inventor, should not the whole public pay the cost?

Probably the closest approach of the Commissioner of Patents to justifying the administration's fee bill from the standpoint of fairness was the following statement:

"This bill was premised upon a 75-percent recovery of our current budgeted expenditures. If you ask me to defend 75 percent as against 80, or as against 85, or as against 70, or 65, I think it would be impossible to do so. But a three-quarters recovery is deemed by the Bureau of the Budget, and by us, to be a reasonable allocation of the burdens on the Patent Office."

There was no explanation of why. So far as appears, the use of figures in this range is entirely arbitrary.

In defense of the Patent Office it must be observed that it is not entirely free to use its own judgment. It is directly subservient to the Department of Commerce, and the latter is somewhat subject to direction by the Budget Bureau which is directly under the President. No study by the Patent Office, the Department of Commerce or the Budget Bureau justifying this determination of "three-quarters recovery" is known.

How did it happen? Years ago Congress passed a resolution directing the executive branch of the Government to attempt to cover its cost of services. The Budget Bureau drew up a set of principles known as Circular No. A-25 for dissemination throughout the Government in pursuance of this directive by Congress. The original version of this set of principles recognized that some agencies should be deemed to be serving both the immediate recipient and the general public, and that in such instances, the cost should be equitably divided if possible, and if not, the Government should pay all. Surely this would apply to the Patent Office. But the statement of principles also included a section with respect to services for which full cost should be recovered. Apparently, the Government was hard pressed for examples to designate under this section, and designated receiving a patent as an example. Perhaps no study of the fairness of this classification of patents was deemed necessary, in view of the fact that for many years, the costs of the Patent Office had been fully met my small fees collected from inventors. In the early days of very simple inventions, and when almost nothing needed to be studied as "prior art," Patent Office expenses were trivial. It is not likely that the fees originally set were designed on a cost-recovery basis, because they showed a substantial profit for many years.

That this history is the sole basis for the 75-percent requirement is indicated by the following in the statement of the Commissioner of Patents:

"The fact that we have covered our operating costs in the past has also suggested to many * * * that there should be some relation between fees and operating costs."

But surely the historical accident that a modest fee once covered the cost of Patent Office operations is no reason for raising the fees to a discouraging level as costs are pyramided. Nor does it impart fairness to any increase not justified on general principles of fair fee setting.

The demand for these huge new burdens on successful inventors uses the rallying cry of "fiscal responsibility." That is a noble concept, but it should not be carried to the point of irresponsibility as to the effectiveness of our patent system as an incentive. Strangely, the 1954 tax exemption may have cost more than will now be taken from individual inventors, but that is not thought of as fiscal irresponsibility because it did not detract from Patent Office receipts and hence did not increase the deficit indicated by Patent Office accounting. Similarly the income taxes derived from royalties do not show up in Patent Office accounts, or there would be no deficits. We are slaves to a quirk of accounting.

The taxpaying public would not really gain a cent from the presumed tax saving, because this same public is also the consuming public and in the end would pay much more than the taxes saved. The fees manufacturers pay to the Patent Office directly or through inventors, are naturally added into manufacturers' cost figures.

Manufacturers' sales prices are set at some percentage higher to include a suitable profit margin. Distributors and retailers would add markups to these prices. This is not good economy where there is no shifting of the cost from all taxpayers to a small portion of them, and when there is no desire to reduce the use of the facility in question, the Patent Office. Circular A-25 has a category of benefiting the entire public in which the Patent Office could be placed to avoid cost-recovery entirely, on this ground alone.

When H.R. 8190 came before the House of Representatives, the Congressmen were erroneously told by members of the Patents Subcommittee which had recommended the bill that maintenance fees would save the Patent Office money

by removing from its files the deadwood on which the maintenance fees are not paid, so that the Patent Office would not have to keep searching this deadwood for infringement. The Patent Office never searches for infringement, but for novelty. That search requires searching the expired or lapsed patents just as much as live patents. Indeed, textbooks and the like are also searched. It is disheartening to realize that even those in Congress whose committee posts make them most responsible for the patent system know so little about it.

Patent Office fees were last raised in 1932. If we now recognize that the 1932 idea of full support of the Patent Office from such fees is unfair and unwise, there is no reason to assume that anyway there should be an increase to offset inflation. Of course, the question of what would be proper fees now should be examined, but on rational merits, not on the basis of history no longer considered rational.

The modern version of the Budget Bureau Circular No. A–25 seems to recognize that some fees the Government charges are already higher than can be justified by its general principles. It does not provide that in such cases such fees, if long standing, should be increased according to dollar devaluation. Instead it merely provides that the general principles shall not cause a reduction of such fees.

Some small fee, perhaps the present level of $30 fees, is desirable from the standpoint of preventing waste, lest the Patent Office be flooded with trivia and ill-prepared applications which would either fail to disclose the invention or make the examiner's task more time consuming. In spite of the smallness of present Patent Office fees, present overall costs are discouraging. We shall try to reduce them. We could at least add a system of preliminary informal disclosures which an inventor could file without an attorney, and without expecting any examination. This could hold his rights for a year or so, in which time he could test out his invention or try to get backing.

Let us, in any event, recognize that the Patent Office is not primarily a service agency but a receiving agency, and that hence its costs could well be paid entirely from general revenues (which it has had a large part in making available). Then we can recognize as a "windfall" such cost-recovery as results from a modest waste-discouraging fee. With this principle established, the fees can be set, if any change is necessary, on the one important basis of deriving for the public the greatest possible benefit from the patent system.

Senator McCLELLAN. Now you may proceed to highlight your statement or submit orally any additional information that you wish us to consider.

Mr. ROBERTSON. I would like to speak first as to the part on which I am in complete agreement with most of my colleagues, the point of fees being higher for independent claims. I would like to call attention to one of my exhibits which I have furnished, exhibit A, which is an article I recently had published in the JPOS, December 1963, p. 828.

Senator McCLELLAN. Is that being presented as an exhibit?

Mr. ROBERTSON. It has been presented as an exhibit.

Senator McCLELLAN. The place to present the exhibit is here, unless it was attached to your prepared statement.

Mr. ROBERTSON. There were 10 copies submitted.

Senator McCLELLAN. Your sending it to the committee wouldn't make it an exhibit for the record. That is material we may have in the office over there. But the question is, Do you want it made an exhibit to your testimony?

Mr. ROBERTSON. Oh, yes, sir; I would like to have it made an exhibit.

Senator McCLELLAN. I am trying to keep the record straight.

Mr. ROBERTSON. I am sorry.

Senator McCLELLAN. Very well, it may be received as exhibit A, but it will not be published. It will be received as an exhibit for reference.

(The document referred to was marked "Robertson Exhibit A" and will be found in the files of the committee.)

Mr. ROBERTSON. In this I related an actual occurrence in litigation where we were confronted with the problem of whether to rely on a claim in dependent form, which was of such a nature that had it been of independent form it would have been our choice to rely upon it. But we decided not to rely upon it because of its dependent nature. We felt that it was a great disadvantage psychologically with the court.

Now, you cannot legislate a court's psychology safely, no matter what you say and how you try to direct the court, the psychological problem is there, and cannot be safely overcome by legislation.

I can, however, suggest one way that might overcome the problem, and that is to provide that anyone whose patent is in litigation may obtain a certificate of correction, revising the dependent claim to an independent claim style, making no other change. He would then be able to present to the court a claim in the full, usual, complete form, with a minimum of chance that the court would look back at the original patent and be influenced by the strange character of the dependent form it was originally in.

Now, I will say this: that the way to get the use of dependent claims is to make them worthwhile for the clients that we represent. Every patent lawyer would rather use dependent claims. The reason he doesn't——

Senator McCLELLAN. Would rather use?

Mr. ROBERTSON. Dependent claims for himself, for ease. The reason he doesn't do it, and I think the only reason he doesn't do it, is that he doesn't think it is as wise for his client.

Senator McCLELLAN. They don't have the prestige in courts.

Mr. ROBERTSON. That is a good statement.

Senator McCLELLAN. They don't have the persuasive influence with the courts.

Mr. ROBERTSON. That is right. As I point out here in exhibit A, in the dependent claim, the increment may seem very, very trivial, and yet it may have quite an influence on the base part of the claim, which is somewhere else.

This article, incidentally, also suggested another alternative of permitting the claims to be dependent not from one another, but from a background definition, which is ahead of the claim, not the claim itself.

I might say that one Patent Office official has expressed considerable interest.

However, it was submitted to him over a year ago, and they have been so busy down there that they haven't had a chance to reach any conclusion on whether they will permit them or not. The examiners have not been permitting them.

Senator McCLELLAN. Very well.

Mr. ROBERTSON. One other point that should be made clear in connection with the dependent claims is that they are not as much more helpful as would seem from the discussion so far, at least not unless the patent examiners have lost the art of examining that they had when I was there 30 years ago, and I can't believe they have. I think they have gotten smarter, not less smart.

Here is the way it was done, or would have been done 30 years ago. Looking at page 76 in the 1962 hearings on S. 2225, the examiner would read down these claims. He would concentrate reading claim 1. He would then go to claim 2 and read it and when he came to the last two lines of that claim, he would recognize that it is something that had not been in claim 1. He might mark in the margin the indication "1-plus" meaning claim 1 plus those two lines.

He would then go to claim 3, and he would probably detect—it is pretty easy to detect these when you get used to it—he would probably detect when he came down to line 5 the reference to shaped cell mounted, that it didn't say "hourglass," so he would go back to claim 1 and underline hourglass to show that was the distinguishing feature to claim 1 over claim 3.

He might put "3-plus" in the margin.

Coming to claim 4, he would do substantially the same thing. That process would take him something like 10 minutes, perhaps twice as long as 5 minutes, it would have taken him to read and understand the claims in the other form. Total extra time, 5 minutes. From then on his work would be exactly the same, regardless of which style of claim he had.

Now, how could the Patent Office get its statistics showing so much more than that? Well, inevitably there would be some perfectly honest loading of the two sides of the question. The patents which happened to be chosen with independent claims, even if there was a completely random sampling would include patents which had two or three inventive ideas that couldn't reasonably have been expressed in dependent form. Naturally those patents would take longer no matter what kind of claims you used to express those independent ideas.

Now I have come to a point where I regret to be put in the position of disagreeing with a great many men for whom I have the greatest respect, and associations for which I have the greatest of respect, and which ordinarily are right.

I speak here not on behalf of myself. I want to make it clear that it is not my practice I am speaking for. I have been overworked in the last 2 years. My wife begrudged my coming down here, knowing that I would spend a weekend trying to catch up, I work most weekends, and most evenings, and have for the last 2 years. I don't want more business.

Senator McClellan. Then you can sympathize with some of us in the Senate.

Mr. Robertson. Yes, sir. I don't speak on behalf of my corporate clients, although they take up 95 percent of my time.

If I were to conduct my personal life on the basis of what would be best for my corporate clients, I would not be here speaking today. At the same time I want to make clear that I think my position is in their best interest. Now, if those two statements sound irreconcilable, I would rather reconcile them off the record than on.

I am convinced that everybody agrees, as the committee counsel said yesterday, that we do not want to discourage inventions. But I am also convinced that you cannot possibly raise fees without discouraging invention.

Senator McClellan. Raise them at all?

Mr. ROBERTSON. You cannot raise them at all. Of course, if you raise them trivially, the discouragement will be trivial and probably undetectable. But I think there is an immutable law of economics that once the level of price resistance has been reached you can't increase the price without decreasing volume.

Senator MCCLELLAN. Are you applying that to the present situation?

Mr. ROBERTSON. Yes, the level of resistance has definitely been reached in the overall cost.

Senator MCCLELLAN. What is the overall cost?

Mr. ROBERTSON. The overall cost runs——

Senator MCCLELLAN. Today that is.

Mr. ROBERTSON. I would say from $250 up, to get your application filed.

Senator MCCLELLAN. To get it filed?

Mr. ROBERTSON. Yes.

Senator MCCLELLAN. To pay the cost of attorney fees, and the filing fees and so forth runs about $250?

Mr. ROBERTSON. Yes, and it is a pretty lucky inventor who gets by for $250. Even that is high enough so that there is resistance.

Now, you can't say safely that because we got by with twice the purchasing power as a fee 30 years ago, we can, therefore, raise the fees and not increase the discouragement. There are various factors that enter into that.

In the first place we don't know that we didn't discourage them 30 years ago. We don't hear about the inventors who are discouraged and never come to us.

Commissioner Watson said some years ago that he had never known a worthwhile invention not to be filed because of the Government fee cost. Well, in the first place, how does he know how many didn't get to him?

In the second place, how does he know which ones would have been worth while? If some inventor had come to me a few years ago with a kiddie car, I think an invention which reputedly made the inventor a million dollars, and I had told him the price, and he had dropped the whole idea, I could still say that no worthwhile invention had been discouraged.

Senator MCCLELLAN. Your contention is there is no way to know.

Mr. ROBERTSON. There is no way to know.

Senator MCCLELLAN. Very well.

Mr. ROBERTSON. And I don't think we want to discourage any inventions. Now for me to justify being here, it isn't essential that you get your help from me by fully agreeing with me and going all the way.

It would help, I think, for you to do the best in the public interest if you recognize that there are sound arguments why it probably is unwise to raise fees.

And if you think there are other arguments that control, recognize nevertheless that every bit of raising that you do is dangerous, and therefore raise as little as possible.

Now, as between threshold fees, as they have been aptly called, and maintenance fees, I would say this. From the standpoint of a private inventor whom I claim to represent, if it would cost him the same amount on the average, I would definitely prefer maintenance fees. I

think maintenance fees would be much less discouraging from that standpoint than threshold fees.

When he is considering filing an application, he comes to me and asks me how much it is going to cost, and a few of them disappear. A lot more of them, I am convinced, just don't come back for a second invention. I have been told by at least one man that he has made inventions since the first one or two, but he doesn't bother with patents any more, they are too expensive. And I don't see how you can escape the fact that that must be true time after time after time.

Senator McCLELLAN. I can't quite understand, I am not arguing the point, but I can't quite understand on the level of our economy today, what the dollar will purchase and so forth, I can't understand that $250 or $300 is too high a price for a patent on a good invention. Of course, one trouble is you can't tell how good it is going to be.

Mr. ROBERTSON. That is a very serious trouble. Of course, if you can tell the inventor, as some oldtime practitioners perhaps used to do, "Yes, you have a million-dollar invention here," you won't have any trouble getting him to pay $250. When I was in the Patent Office, a fellow examiner told me about having previously worked for an office where the inventor wrote in and said, "I don't have the money but I have a cow. Shall I sell the cow?" and they made my friend write back, "Yes." But for an inventor honestly advised of his slim chances of success, $250 is a lot of money. Regardless of how much it is, for most freelance inventors it is money taken out of the family budget.

Now in that connection let me tell you an actual case history. Here is a little rough model made by an inventor who came to me a few years ago. He hasn't given me permission to use his name because he has had enough trouble with the patent system already. He doesn't want to get involved.

Senator McCLELLAN. If there is somebody here from the Patent Office they might see that and identify it.

Mr. ROBERTSON. I don't care; they could identify it. I don't care. If they go to that trouble, it is all right with me.

Here is a crude model that he made. He was a railroad trackman, trackworker. He made this model and thought it a good idea. He had to get a working model made. Where did he get the money?

Well, he does overtime work, and his arrangement with his wife—and I might say that that is a changed factor since 1930 in my opinion. Wives control the purse strings much more these days. It is not enough to have an inventor who has a big hope. You have got to convince his wife that it is worth while too.

Senator McCLELLAN. That is not a bad idea. It keeps tranquillity in the family.

Mr. ROBERTSON. It saves a lot of errors in filing applications that shouldn't be filed also. Unfortunately it also excludes some that really ought to be filed.

This man's arrangement was that overtime money he could spend as he wanted. He told me he went into a sporting goods store a[illegible] looked at a hunting shotgun he was awfully anxious to have, but [illegible] said no, he would put the money in a second-hand engine that [illegible] needed for this invention, so he did that. He made it, proved it up, and it worked well.

Senator McCLELLAN. Will you identify that and tell us what it is?

Mr. ROBERTSON. I'm sorry, I would rather not. Here is the leaflet that he got out in the course of his business. But he realized he wasn't a businessman and it was too much for him.

He got in touch with a licensee, who was going to pay him $200 a machine. About that time somebody slapped a suit on him for a declaratory judgment that the patent was invalid. He didn't have any money to fight the suit. I am not a trial lawyer. I went ahead and did the best I could. I think I "goofed" it. He lost. He lost his broad claim.

I managed to salvage the rest of his claims, but the licensee said, "Well, I can only pay you $100 now, we are going to have competition." His licensee still pays him $100, and I haven't been able to find out just how much he is making, but I think very little. Possibly if he is lucky, $1,000 a year. This is a machine that doesn't get sold in great quantities.

Now suppose he got as much as $1,000 a year. He paid my legal expenses and a little bit toward my fee. He has used up a good share of that money in my expenses for the litigation. If he is getting $1,000 a year on an invention which has done the railroads a great service, the public therefore a great service by helping the railroads keep their cost in a condition where they can keep operating, why take $300 out of that man's hide for maintaining his patent?

Senator McCLELLAN. Should the public pay it?

Mr. ROBERTSON. Yes. The public has benefited more than anybody else. In that connection, I don't speak alone. I would like to refer to another of my exhibits and ask that it be made part of the record, and it certainly is available elsewhere.

Senator McCLELLAN. Anything you want as an exhibit you should present here now. Just having sent it to the committee doesn't make it an exhibit.

Mr. ROBERTSON. Yes, sir. This is exhibit B.

Senator McCLELLAN. You are submitting something as exhibit B?

Mr. ROBERTSON. Yes.

Senator McCLELLAN. What is the title of it? Describe it.

Mr. ROBERTSON. Which is a House of Representatives Report No. 603 of the 84th Congress, in which Mr. Preston, of North Carolina, reported.

Senator McCLELLAN. Very well. It will be received as exhibit B to your testimony for reference.

(The document referred to was marked "Robertson Exhibit B" and will be found in the files of the committee.)

Mr. ROBERTSON. I would like to call attention to these two sentences in the report, page 7:

> The [illegible] was established as a constitutional agency designed to protect the [illegible] and serve the public. At no time was it contemplated that it should [illegible] ing. While there is no objection to a review and study of [illegible] does not subscribe to the principle that the agency should be [illegible] plans of the Patent Office to utilize electronic equipment [illegible] system of examining patent applications are encouraged.

[illegible] rt of the committee which determines in the first in- [illegible] Office appropriations, so that we have there something that should have allayed the fears of my colleagues.

Now I think at this point I might point out that I recognize, if this committee is going to weigh the strength of the sponsors, the intelligence of the sponsors of the two points of view that go ahead and raise fees, it won't hurt anything, or don't raise them, it will hurt, I am in a pretty poor position. I would like to help the committee to at least get to the point of considering my views for all the merit that is in them, in which case I have some confidence that they will prevail.

I would like to point out how the other view got to where it is.

Senator McClellan. The other what?

Mr. Robertson. The other view, to go ahead and raise fees.

Senator McClellan. All right.

Mr. Robertson. As exhibit C I offer the published "Summary of Proceedings of the Section of Patent Trade Mark and Copyright Law of the American Bar Association for 1947," pages 15 and 18.

Senator McClellan. All right, it will be received and made exhibit C for reference.

(The document referred to was marked for identification, "Robertson Exhibit C," and will be found in the files of the committee.)

Mr. Robertson. There we have a resolution which was made by the Committee for Patent Office Affairs and supported by the Inventors' Committee of which I was the chairman. I had instigated the idea of an Inventors' Committee. That is one of the things to which I referred to justify my speaking here on behalf of the inventors. Another was my article "Proposed Program on Behalf of Inventors—If You Would Sell the Patent System, Improve It!" November 1944, JPOS 769.

There they opposed any increase of fees on principle. Now what was the principle on the basis of which they opposed it?

For that I refer to and offer as exhibit D the committee reports of the same patent section for 1947, in which there appears a report of the Inventors' Committee that states some of the bases for that principle. It says, for example, on page 34:

> The Patent Office in most of its work represents the public as well as the inventor, and the large part of its work involves the discharge of duties of a purely public nature and the maintenance of public services. We believe that the inventor already pays in the form of fees more than his full share of the cost of the Patent Office.

Senator McClellan. That will be made an exhibit for reference.

(The document referred to was marked "Robertson Exhibit D" for identification, and will be found in the files of the committee.)

Mr. Robertson. This principle has not been changed. There had already been a lot of inflation at that time. But the situation has changed. I next offer exhibit E.

The committee reports of the same patent section for 1954, 6 years later I guess it is, pages 54–56. That was about the time that the bar switched. In fact, at this meeting this organization switched. Let me make clear that what I have read from these things in the past is not now the official position of the American Bar Association.

Senator McClellan. Very well. That will be received as exhibit E for reference.

(The document referred to was marked "Robertson Exhibit E" for identification, and will be found in the files of the committee.)

Mr. ROBERTSON. That one is where the Committee on Patent Office Affairs introduced a resolution recommending a moderate increase in Patent Office fees. But there is not one word in there that detracts from the old principle. They went entirely on expediency. I read:

In addition to the foregoing, the Patent Office is confronted with the serious problem of operating during the fiscal year starting July 1, 1954, on an appropriation of approximately $1 million below the needed amount. The problem is acute, and extremely grave, and its consequences as inadequate funds render it impossible of maintaining the present examining staff. The Commissioner of Patents hopes that an additional appropriation can be secured, but he believes that the chances of obtaining an adequate appropriation for the next fiscal year or an enlarged budget for subsequent years will be greatly increased if Congress can be shown that the Patent Office is undertaking to meet its own financial needs to the extent of a reasonable increase in fees.

Now there is nothing wrong with giving up principle for expediency. It sometimes has to be done, and it was done then. It is unfortunate that they did not keep reiterating the principle so that you would realize that every bit you raised was contrary to fairness and unwise in some regards. But they didn't.

Perhaps one reason they didn't was that it had already become sort of disloyal to speak out in any opposition to the fee increase.

The Commissioner of Patents was a great friend of the bar, Bob Watson. I don't think the Inventors' Committee was any less his friend than the rest, but we happened to have on our membership someone who had gone around to Members of Congress and had talked to Congressman Preston and had talked to other Congressmen who had wanted increased fees. He found no inclination in the Congress to cut down the Patent Office appropriation.

The next year, in fact, they jumped over the budget recommendation, and they have never, for years and years at least, cut significantly under the budget recommendations.

This Inventors' Committee reported, and was reprimanded for disagreeing with the Commissioner, that there wasn't any danger that failing to raise fees would keep the Patent Office from receiving adequate appropriations.

The bar has maintained that the attitude from there on, an attitude, a feeling that we must be realistic. But behind it all is the fear that we would be disloyal to the Patent Office if we didn't go along.

Now our Inventors' Committee had one other thing that made us feel different and makes me still feel differently. My father was the Commissioner of Patents, Thomas E. Robertson. I had and still have a statement from him regarding one of the last two, I am not sure which, where for a mere $5 of increase of both fees a great deal of benefit for the examiners in salary increase and for the Patent Office in enlarged staff was provided out of a reluctant Budget Bureau.

As a matter of fact, the time came when the Budget Bureau was about to withdraw it, and the Commissioner went over to the House committee chairman and told him; the House committee chairman, called up the Budget Bureau and said "If you withdraw that we will not give you the fee increase." And they got that benefit.

Now there may be a time in the future when that needs to be done again. But all ammunition that could be used 10 or 20 times to pry out something for the benefit of the Patent Office is being thrown down the drain with no benefit to the Patent Office whatsoever at this time.

At this point, I would like to cite some evidence supporting my view that there would be some discouragement of invention. First I will refer to page 41 of the 1962 hearings, at which the then Commissioner Ladd said:

> No matter how little fees are raised that might tend to deter filing of a few applications.

I think everybody has agreed that it might deter the filing of a few applications. Do we want to do it? Do we want to deter it even a little bit?

Now I admit that the deterrent would be mainly in the area of freelance inventors. A few small businesses would be deterred also. As to the freelance inventors, let us assume that the 30 percent in quantity isn't even 30 percent in value. I don't think it is the right assumption because there are an awful lot of trivial patents filed by corporations. In fact, many times I have told a private inventor "If you were in business, this would be worth filing a patent application on. Even being able to say 'Patent applied for' would be worth something to you, but in your position it just isn't worth while, unless you can find someone who is interested in it."

A great many trivial applications would still be filed, the fees would be paid, the maintenance fees would be paid. You wouldn't be getting rid of that kind of junk. You could possibly get rid of some of the other kind of junk, highly unrealistic inventions that some inventors file. But you would also be getting rid of some valuable inventions, valuable from a public interest standpoint.

Now, this railroad working type of thing is a mighty worthwhile thing from the public interest standpoint, but it is not a big money-maker. You discourage that kind of thing.

Do you want to, even a little bit? I am convinced that the bill as it stands now, or even if you cut maintenance fees off of it, is discouraging it a great deal.

For that again I refer to exhibit F, which I will offer, which is from the Journal of the Patent Office Society, I think their latest one, January 1964, page 82.

Senator McClellan. All right, exhibit F may be received for reference.

(The document referred to was marked "Robertson Exhibit F" for identification, and will be found in the files of the committee.)

Mr. Robertson. That is a one-page article entitled "Swedes Third in Patent Applications Per Capita," and it states in addition to its claim of being third:

> Over the past decade the number of applications in Sweden has dropped by 29 percent while foreign patent applications in Sweden have risen by 79 percent. The decline may partly be accounted for by the fact that measures have been taken to bring down the number of applications for petty inventions of little economic importance. For instance, by raising the fee for filing an application from 50 to 250 kronor.

Now that fee increase, which sounds roughly comparable to the total percentage increase here, reduced the filing by Swedes 29 percent. Do we want to risk anything like that?

Incidentally, although Sweden was third per capita, numerically, domestic patent applications registered at a low of 3,804 in 1961. So that per capita is obviously counting the large number of foreign-filed applications.

Now let me say something about these foreign-filed applications. In over 30 years of practice I don't believe that I have filed more than two, possibly not even one application for a freelance inventor in a country requiring maintenance fees or annual taxes, unless he had an actual deal abroad. I have for corporations, but a good share of those in the case of small corporations have been dropped rather quickly, and very few of them were filed for the small corporations unless they had existing business, or a deal, abroad. Canada is an exception, but they have no maintenance fees.

The statistics that you have on the foreign situation are loaded with applications abroad filed by 10, 20, 50 percent of our largest corporations. They are not representative.

Now let us consider some of those statistics in another way. The Commissioner pointed out, I think this time and certainly the last time, that where there were annual fees there were only 20 percent individual inventors whereas here we have 30 percent individual inventors. That sounds like only a 10-percent difference.

But compare the 20 percent to the 30 percent. That is 30 percent less, or the 30 percent is 50 percent more than the other. With our system we had 50 percent more applications of individuals relatively than they do abroad.

Do you want to increase that trend by making it more expensive for individuals? Those statistics are very strange. They look differently if you examine them the right way. But they really don't mean very much, because they are loaded so much with the foreign applications from the wealthy corporations of this country.

Senator McClellan. Have you got another exhibit there?

Mr. Robertson. Yes.

Senator McClellan. Let's move along then as fast as we can.

Mr. Robertson. All right, sir.

Senator McClellan. I am not trying to shut anybody off, but other people are here waiting to be heard, and as I have indicated, this is the last day we are going to be able to hold hearings for a long time. I do want to move along and give everybody the chance to be heard. As soon as you conclude, I am going to recess and come back at 2 o'clock, and I want to meet promptly at 2, and I want to move along as rapidly as possible.

That will give us about 3 hours here to hear the remaining witnesses and try to conclude today. There are 10 more to be heard, and we are going to have to expedite as much as we can to accommodate all of them. All right, proceed.

Mr. Robertson. The next one I want to refer to doesn't need to be an exhibit because it is on pages 22 and 23, I think, of the 1962 hearings on S. 2225. It is the Circular A–25.

Senator McClellan. That hearing has already been made an exhibit.

Mr. Robertson. Yes, sir.

Senator McClellan. Your references to the pages will be sufficient.

Mr. Robertson. I want to now discuss the fairness of making inventors pay for the work of the Patent Office.

Senator McClellan. Are you opposed to them paying for any part of it?

Mr. ROBERTSON. Well, I think that we should recognize, as my prepared statement says at the end, that we should recognize the fees which we collect for other purposes to prevent frivolous applications swamping the Patent Office are in the nature of a windfall which do, and desirably do, luckily do, pay a substantial part of the Government costs.

I think that is the only reason that fees should be collected. In other words, I think that fees should be set to make the patent system work at its best, and that the public will not begrudge in the slightest paying 10 cents a head for the rest of it. That is all it costs, 10 cents a head per year.

But if we are going to consider fairness, I don't particularly want to make you think that there is no possible fair reasoning for going to 75 percent. I do hope that you will see that it will be at least equally fair to say that support should not be considered at all as a factor in fee setting. If there are the two equal choices——

Senator MCCLELLAN. Would you recommend repealing the fees that are now charged?

Mr. ROBERTSON. No, sir, I would not. As I said, there are other reasons for fees, and I think that quite possibly they are at the ideal position now for those other reasons. I would have no objection to a study of whether that is ideal, the ideal position or not.

Senator MCCLELLAN. In other words, you would leave the status quo.

Mr. ROBERTSON. Yes, unless someone shows that they are not ideal for the present purpose.

Senator MCCLELLAN. I see. All right.

Mr. ROBERTSON. The Budget Bureau has in Circular A–25, near the bottom of page 22, a paragraph which fits the Patent Office just about exactly, as well as the one example given there:

> (2) No charge should be made for services when the identification of the ultimate beneficiary is obscure and the service can be primarily considered as benefiting broadly the general public.

Now that certainly fits the Patent Office as well as the example is given "for example, licensing of new biological products." In both cases it is perfectly obvious who the immediate beneficiary is, the patentee or the drug company. In both cases the ultimate beneficiary is the whole general public.

Now there is one difference. In the case of the Patent Office there are two kinds of public benefits. There is the public benefit which, as in the case of drugs, flows through the recipient of this great service, and flows out to all of his customers. But in the case of the Patent Office, there is an additional public benefit that does not flow in those channels at all.

It is the unique agency of the Government so far as I know, the only agency in which in the course of this dealing there is not just something received by the "beneficiary" but an exchange made.

The inventor brings to the public something that the public wants to receive, and as the Patent Office has testified, wants to disseminate. There is no reason whatever—in fact, I recommend that the committee ask the Budget Bureau if it shouldn't amend its statement to take into consideration the obviously fair fact that when somebody in a transaction with the Government presents to the Government or to the public something which is beneficial to the public independently

of his own profit channels, that that something should be taken into consideration as a part payment of whatever obligations he has.

If that were the case here, it would fully compensate the Government for every cent it spends on the Patent Office. Consider the cost to the Government of the patents which are Government owned. They undoubtedly cost the Government far more than the amount of fees here. The preparation of those manuscripts, for example. Now in the case of the non-Government inventors, they present to the Patent Office a very costly and valuable manuscript which the Patent Office, the public wants, and wants to disseminate.

Why shouldn't that be recognized as a factor to be considered? Is there any justice in not doing so? They have paid their price.

Look at it another way. It is a negotiation from a contract. The inventor pays his attorney. Is there any reason why the Government shouldn't pay its attorney, the examiner? And I assure you that nine-tenths of the examiner's time is spent as attorney for the Government.

It is true that in the end he has to make a decision, and it is true that once in a while he helps with a good suggestion. But primarily his work is as attorney for the Government.

And I might add that it is a wonderful thing the way the examiners can transform themselves from an opposition advocate and, by the snap of their fingers, usually become pretty judicial. It is a tough thing to do, and they usually do it.

This same Circular A–25 does not include anything which has been the main motivating factor for all the considerations of fees that I have heard: "We haven't raised the fees for 30 years." I find nothing in this supposedly fair statement which says that if the fees have not been raised since there has been substantial inflation, but are already too high by the principles which we have set forth, they shall nevertheless be raised in accordance with inflation.

They don't say that. They say just the opposite. On page 23 under "(b) Establishment of Fees To Recover Costs" they say:

> The provisions of this circular, however, are not to be construed in such a way as to reduce or eliminate fees and charges in effect on the date of its issuance.

In other words, they recognize that the general principles might turn out to suggest a fee should be lower than it is, but it says, "We will not reduce them," and that is sound. They are probably there for some other purpose as they are here. Thirty dollars may be right, may be just right, I don't know. It certainly is reasonably right. So where is the fairness in raising them further?

I have several more points, sir, to make: On principles of equal time, being almost the only one here representing my side, and I wonder if I could have little more time. I will be glad to come back after lunch.

Senator McClellan. I am going to stay here until 5 o'clock. It is not an imposition on me. I am trying to show deference to others here.

Mr. Robertson. I recognize that.

Senator McClellan. Others who want to testify. Can you not submit a brief statement covering the other points?

Mr. Robertson. Yes, sir; but I don't believe it is equal.

Mr. McCLELLAN. Take another 5 minutes then. We will wait another 5 minutes, and then if you don't conclude, you can submit a statement. Is that fair enough, Senator?

Senator BURDICK. Fair enough.

Senator McCLELLAN. Very well, proceed. I don't want to cut anybody off. The whole Government has got so big it is awfully exacting on all of us. Time is not sufficient any more.

Mr. ROBERTSON. That certainly is true. There was a reference to Russia yesterday.

Senator McCLELLAN. A reference to what?

Mr. ROBERTSON. To the Russian situation. I happen to have in my briefcase something which I will now offer as exhibit G. This is from the Patent Trademark and Copyright Journal on Research and Education, fall, 1961, pages 273–279 "Secrets of the Patent Library," it is called. The Russians come up with this, or this Russian came up with this:

> Why not pay our inventors a compensation for costs connected with the familiarization with patent literature, typing of documents, et cetera, in the case, of course, when a certificate is issued.

In other words, why not compensate the inventor for his costs?

Senator McCLELLAN. Doesn't Russia own the inventions over there?

Mr. ROBERTSON. I think so; yes. Not entirely.

Senator McCLELLAN. They can afford to pay for them.

Mr. ROBERTSON. That is right.

Senator McCLELLAN. They own everything there.

Mr. ROBERTSON. And, of course, the American people here get the benefits, even better than they do in Russia, because of our free enterprise system.

Senator McCLELLAN. Of course, that is true. That will be received as exhibit G.

(The document referred to was marked "Robertson Exhibit G" for identification, and will be found in the files of the committee.)

Mr. ROBERTSON. Now, Congressman Preston said something else, which I guess I don't need to make an exhibit of. It is available. But it is in the hearings of the subcommittee of the Committee on Appropriations, 84th Congress, page 97. I am reading from both Congressman Preston and Congressman Thomas:

> Mr. PRESTON. But the American public is the beneficiary of the great patents filed during the year. That is the thing that has made America great and strong and produced the incentive to expand. It is something that we cannot tamper with.
>
> Now, the little inventor is going to be forgotten in the whole deal, the fellow who works in a machine shop for $40 or $50 a week and comes up with a gadget that he wants to patent.
>
> Mr. THOMAS. A lot of them are millionaires now.
>
> Mr. PRESTON. He—

the inventor—

> has to get someone around town to pay the cost and cut him in on 50 percent of the deal to get the patent.

Now that is an important point. If you raise the fees and the inventor feels that he can't finance it himself, you have committed a great discouragement. In the first place, he may have trouble finding someone who agrees with him that it is a great invention. It is pretty tough.

Very few people have the inventor's enthusiasm, and a good many inventions would have never been seen if it weren't for the inventor's enthusiasm and his ability personally to push it through. But, even if you do make him get financial help, you have cut down his incentive perhaps 25 or 50 percent right there. Is it wise?

Now, lest there be no doubt as to what Congressman Preston's views were, I offer as exhibit H a copy of a letter written from him to the chairman of the patent office affairs committee, the Patent Law Association of Chicago.

Senator McCLELLAN. It will be received as exhibit H.

(The document referred to was marked "Robertson Exhibit H" for identification, and will be found in the files of the committee.)

Mr. ROBERTSON. He said first that it wasn't necessary to raise fees for his Appropriations Committee to give the Patent Office what it needed, and he said, furthermore:

The Chicago Patent Law Association has not helped matters any by pressing for the Willis bill increasing fees.

(NOTE.—Mr. Robertson subsequently advised the subcommittee:)

The reference is to the Willis bill of some years ago which chiefly raised filing and final fees to only $40 and $50, respectively. Then Commissioner Watson said this is the utmost that the applicant should be required to pay at this time (hearings, Subcommittee on Appropriations—Commerce, for 1956, p. 99).

Mr. ROBERTSON. Now one other thing, exhibit I is a proposal published in the recent JPOS, page 849, December 1963, A New System for Annuities. I offer that as exhibit I.

Senator McCLELLAN. That will be received as exhibit I.

(The document referred to was marked "Robertson Exhibit I" for identification, and will be found in the files of the committee.)

Mr. ROBERTSON. He recommended that the penalty for nonpayment be not forfeiture of the patent, but forfeiture of exclusivity under the patent. I think it is a very sensible compromise if you must go ahead with maintenance fees.

But let me point out that in my opinion maintenance fees as set up now will cost the inventor on the average or his assignee on the average about twice as much as the Government gets out of him. That seems awfully unsound economics, an awfully unsound way to run the incentive system for encouraging invention.

There will be the affidavits he has to pay for. There will be the handling charges for the filing of fees, and my guess is that the total will add up to about the Government's take. I just don't think it is wise.

Senator McCLELLAN. You are talking about costs outside of the Government fees?

Mr. ROBERTSON. Yes. Yet on the other hand, despite feeling that way, if you are determined that you must increase the Government revenues by maintenance fees, I recommend that it be done entirely by maintenance fees.

Senator McCLELLAN. As between the two bills then you favor the maintenance fee?

Mr. ROBERTSON. No, sir; because the two bills include an increase besides that.

Senator McCLELLAN. I understand one has a maintenance fee and the other doesn't. It increases the existing fees less.

Mr. ROBERTSON. Yes, but it does it at the expense of this extra expense for the applicant.

Senator MCCLELLAN. I see.

Mr. ROBERTSON. But I say if you are going to have that extra expense by having maintenance fees at all, then get all of your increase of revenues that way. Don't have this great discouragement at the threshold. A new tax on patents is discouraging but not as discouraging as a both excessive threshold fee and a new tax.

Senator MCCLELLAN. Senator Burdick?

Senator BURDICK. I understand.

Senator MCCLELLAN. Senator Burdick had in mind, and he told me to ask you this question to bring out your point of view on this particular issue. He was going to ask you about that.

Mr. ROBERTSON. Yes, sir. Now there is a way that you can raise a lot of revenue, if you must, without hurting the inventors, and that is in effect to exempt them. It can be done.

And I believe that the manufacturers of this country would not object to it in the slightest, if you adopt the principle that when the public is generous to the inventor—that when as a matter of public policy you encourage them by not charging them the costs—the public should pay these costs, not the successful inventor, not the manufacturers.

If you set your fees for collecting from the manufacturers 75 percent of the cost of work on their cases only, I don't think they will complain. I still think it is wrong in principle since they contribute just as much as the private inventor. But I don't think it will hurt the country very much, if you exempt the small business and inventors.

There is a perfectly sound way to do it. You could exempt everybody who is not engaged in a substantial business, possibly by volume of annual intake, which is benefited by the patent in question. It could be done, if you must increase these, if you must raise the revenues contrary to what is my belief of the best judgment, the best public interest, then I think it should be done only in that way.

Senator MCCLELLAN. Senator Burdick?

Senator BURDICK. We have heard testimony from the Government, we have heard testimony from lawyers. I believe you testified that you represented some inventors' group?

Mr. ROBERTSON. No, sir, no group. There is no inventors' group that I know of that is in this. But I have been partial to inventors. I think I acquired a reverence for the patent system and for inventors as early as I did for God. This is an official exhibit of my grandfather's invention of the first changeable date stamp with built-in wheels or change facilities for the date.

Senator BURDICK. Where is the best place then to get the view of the inventor, this fellow who works on the railroad at night, and so forth? Where is the best place to get his views?

Mr. ROBERTSON. I can't think of any good place, unless I am.

Senator MCCLELLAN. I thought you were representing the unrepresented?

Mr. ROBERTSON. I claim to represent them. If I am not, the place where you can get it I don't know. I might say incidentally that with reference to maintenance fees, this invention of my grandfather was ahead of its time as are many. My information is that my grand-

father did not make any money out of this invention in the life of the first patent, about 14 years in those days.

He did make a little money during an extension of the term, and that happens to be just about the time that the Willis bill would have considered it deadwood and encouraged him to drop it. Although he was a prolific inventor, revenues from being an inventor were not very great. He changed to being a patent solicitor. He did a little better then, but never was wealthy.

Senator McCLELLAN. We gave you an extra 5 minutes. We gave you 10 minutes instead of 5. Thank you very much. We appreciate your appearance.

The committee will stand in recess until 2 o'clock.

(Whereupon, at 12:25 p.m., the committee was recessed, to reconvene at 2 p.m. on the same day.)

AFTERNOON SESSION

Senator McCLELLAN. Come around, Mr. Robertson, you want to add a few more exhibits to the record.

STATEMENT OF LOUIS ROBERTSON, ATTORNEY, CHICAGO, ILL.—Resumed

Mr. ROBERTSON. I wish to offer two more exhibits for the record identified as follows:

Exhibit J, "Committee report of the section of patent trademark law, 1960," pages 24 to 26, estimating Government tax receipts from royalties alone as $175 million a year.

Exhibit K, the 1953 version of the Budget Bureau Circular No. A-25, which includes an exception to cost recovery principles when the public interest would be impaired.

Senator McCLELLAN. Are those all?

Mr. ROBERTSON. That is all, thank you, sir.

Senator McCLELLAN. Thank you, sir. Let the exhibits be received and identified as suggested, and they will be available for reference.

(The documents referred to were marked "Robertson exhibits J and K" for identification, and will be found in the files of the committee.)

(The following was subsequently received and made a part of the record at this point by order of the chairman:)

EXTENSION OF REMARKS BY LOUIS ROBERTSON

In view of the many pages occupied by my prepared statement and my testimony above, it may seem strange that I feel it necessary to extend my remarks. But if committee members have had the patience to read them they will have found, I hope, very little repitition. There are still pertinent points which have never been presented to this committee or its predecessors for consideration.

ON REISSUES, SUBSTITUTE COST-SAVING

Here I especially oppose one specific item of H.R. 8190, that which would raise the fees for reissue of patents. Instead, the cost of examining and printing these patents should be reduced, as it can be very easily. Reissue patents, of course, are merely for correcting error, perhaps a "fatal error" by applicants' attorney.

I wish to refer again to Robertson's exhibits C and D. In exhibit D, page 34, item 6, it is seen that the 1947 inventors' committee recommended a simplified procedure and printing of reissuing patents. In exhibit C, page 15, you will see that it was approved unanimously by the patent section.[1] As a matter of fact, I have found a relatively contemporary note indicating that former Assistant Commissioner of Patents, Karl Fenning, told the patent section that this was one of the best proposals to come out of the patent section in many years.

The proposal was that instead of completely reprinting the original patent as a reissue patent, usually with very minor modifications, a certificate be issued to be added to the original patent. It would save almost the entire cost of printing in connection with the reissue patents. Because the application would be simpler, it would save cost of examination. I might interpose here that the Patent Office could make further reduction in the cost of examination by adopting a more liberal attitude toward the requirements of a reissue oath, seeking legislation to permit that, if necessary. Both that suggestion and the 1947 suggestion as to printing would have other advantages besides economy.

Before raising the fees for reissues, the committee might well inquire of the Patent Office why this "best suggestion in years" has not been followed in the intervening 16 years. I have not been able to find out. The printing of reissues has been modified to accomplish one of the expected advantages. Thus by using brackets and italics the reissue patents now show at a glance the differences between them and the original patents. But this method of benefiting from the 1947 suggestion makes printing more expensive. Following the full suggestion would, I repeat, virtually eliminate the cost of reissue printing. It would also have the additional advantage that anyone who orders the original patent by number would automatically receive also the reissue certificate attached to it. This again would save the Patent Office money; the cost of handling two separate sales instead of one.

REBUTTAL

It might be most helpful to the committee if I furnish some rebuttal to statements I have heard during the hearings. I will try to avoid repetition.

Conditions have changed since 1930

There was repeated suggestion that the inventor could pay twice as much now as in 1930. My main statement includes some answer to this, that conditions have changed and that anyway we do not know that there was not cost-discouragement in 1930. One other consideration which is importantly different now is indicated by a 1955 statement of the then Commissioner Watson. It appears on page 99 of the appropriation hearings for 1956 mentioned in a previous note.

The Commissioner said: "Previously I have explained to you that during most of my active practice the Patent Office was on a self-sustaining basis and nobody took note of it, but I think that, since then, something has been added in the shape of heavy taxation which takes a large portion of the income of each possible inventor into the public Treasury in another way."

In like vein, it should be recognized that the Patent Office now operates at a huge hidden profit. Robertson exhibit J shows an estimate of an annual Government tax receipt from royalties alone as $175 million per year: This should be viewed against the $30 million cost of the Patent Office. In addition, don't overlook the billions of dollars of income resulting from new industries, some of which we might not have but for the patent system.

Another difference that should be recognized between now and 1930 is the increasing risks from the prior art. Just as the examiner's search is becoming more and more difficult each decade, so do the risks the inventor takes as to prior art. Of course, a certain percentage, perhaps half, of the inventions are completely disposed of by a preliminary prior art search. But I am thinking more of the other half. What is now relatively rare, and I think increasingly so, is to be able to give the inventor an unqualified and honest "yes" as to the question, "Does the prior art leave me room for adequate patent protection?" Often there is found some prior device for the same purpose. If someone can make that other device serve as well as the inventor's different device, the inventor's protection will be of little or no value. But even without that possibility, the new inventor's area of protection is more sharply confined to approximately his own specific type of achievement. In addition, we may find more

[1] Probably never submitted to the house of delegates and hence not an official ABA position.

and more often devices of a somewhat similar constructional nature although of a different purpose; and this again may throw into complete doubt the possibilities of getting any valid patent protection.

Should we assume patents to be bestowals of great value?

It has been suggested that because the patents are of great value the inventor should be willing to pay high fees. The chairman recognized himself, however, that the inventor doesn't know whether his invention is of great value or not. Furthermore, almost half of the applications never issue as patents. My prepared statement indicates other factors making the inventors' odds very poor.

Furthermore, where does the value (when there is any) come from? Is it not primarily the value of the inventor's own creation? The value certainly does not come to any significant extent from the money which the Government pays its personnel for deciding whether and in what form a patent should be granted. If the invention is worthless, it remains worthless after all of that same work is done. There is a theory that the presumption of validity which results from the examination system adds value to the patent. I can only say that if I were given my choice on behalf of an inventor, I would rather take a patent without the examination system, and freed from the dangers of invalidity on technical grounds of inadequate definition which now accompany the examination system,[2] than to have whatever value there is to the presumption of validity under the present system. In most courts the presumption of validity is of no significance, except a trivial procedural significance of requiring the defendant to be the first to produce the evidence regarding validity. A great majority of patents adjudicated are still upset. Although some judges holding patents valid mention the presumption of validity, my guess is that nearly all of them would have reached the same decision without it. Under our laws, the presumption of validity cannot overcome a technical failure to define the invention adequately, nor does it have any tendency to expand a claim needlessly narrowed during the prosecution (whether by the attorney's own fault or by insistence of the examiner before he would allow a patent under our presumption-of-validity system).

Furthermore, it should not be overlooked that when the inventor does "strike it rich" both he and his manufacturer and everyone connected with the industry will pay income taxes. There is a tendency to ignore this because the tax rates are no higher than those paid by other citizens. But still, the Patent Office is making that huge profit.

To modify an old story, the Patent Office is like a goose owned by a farmer (the Government) and which lays an occasional golden agg. The goose needs a special magic feed, which only inventors can supply. Each receives one egg, maybe gold, maybe not. The farmer receives a share of all egg profits and is making great profits out of the deal as it stands. But the farmer's wife (Commerce Department) tends the goose, and says "I make no profits from my work tending this bird and preparing the food brought to us, so let us charge the inventor for the privilege of bringing feed for it." If this is a silly analogy, does not the Government's position fully match it, nevertheless?

Should same Congress vote tax benefits and increase fees?

The extent to which the Government is overly concerned with the bookkeeping on the feed end of the goose would be proved if Congress should now vote a huge increase in fees in this same year that it has reenacted a tax benefit for inventors. There would be far less danger of discouraging invention if the tax benefit was repealed and fees left alone. But the tax benefit does not show up in the Patent Office bookkeeping, therefore, it is all right, even though for all we know it may cost the Government far more than would be the cost (on the Patent Office books) of not raising fees. At a large meeting this summer, the same patent lawyers who have been voting for a moderate fee increase voted without dissent to retain the tax benefit for inventors. Is there any significant basis of distinction except that one shows on the Patent Office books (relating to the tending of the goose) while the other does not?

Only ostriches can deny discouragement

There have been statements and implications that high fee increases would not discourage invention. Inasmuch as Commissioner Ladd admitted that they would decrease the number of patent applications, it would be highly irresponsible to

[2] A suggestion by Robert C. Brown would reduce this.

take these contrary statements and implications at face value. Indeed, one of the witnesses followed such a statement by explaining that he based it on the fact that there was not too much discouragement when the fees were raised before. The words "too much" imply there might have been some. Do we want any such discouragement? And, as previously mentioned, how does he or anyone know that there was not a lot of discouragement in some areas?

I submit that the committee should recognize that all of those who have belittle the discouragement have done so recklessly. At best, they must have had in mind the areas of invention which they consider most important, and perhaps there would be no discouragement in those areas. But other areas are important too. Does not the public want to receive the benefit of the inventions made by inventors who are dollar conscious or may even be tightwads, as much as the inventors who are careless with their money, and as much as by corporations which, with present economy and taxes, do not need to be very careful with their investment money?

The nearest thing we have to real evidence is Robertson exhibit F showing a 29-percent drop in Swedish applications at the time of a 5-to-1 price increase. In the face of that evidence, in the face of universal agreement that we do not want to discourage invention (at all), in the face of logic that you cannot raise fees when total costs are already high without some added discouragement, would it not be irresponsible for Congress to raise fees without making more certain than it has that there would not be serious discouragement?

Charges by size of application follow wrong philosophy

It has already been pointed out by others that charges by the number of pages and number of sheets of drawings would tend to discourage adequate disclosures. I think a more serious fault of such charges is that they are based on a completely erroneous philosophy, the philosophy that the Patent Office is primarily a service to inventors. Let us instead recognize that the Patent Office transactions are a fair exchange, highly profitable to the Government. Even ignoring the Government's profits from the invention themselves through income taxes, let us recognize that there is fair exchange even on the basis of the presentation to the Government by the inventor of expensive and valuable disclosure manuscripts which the Government wants to disseminate. The greater Government costs because of the size of the application should be recognized as merely incidence of greater value received by the Government.

This is not quite so obviously true of time spent by the Government on claims, but it is somewhat true nevertheless. I feel sure that on the average, patents issuing with many claims represent more valuable disclosures for dissemination than patents with very few claims. Furthermore, more claims, especially more independent claims, tend to indicate more inventive thoughts. The larger number of inventive thoughts require more searching and other examination work by examiners. But the encouragement of those more numerous inventive thoughts is the very reason for the existence of the Patent Office.

Going back to the anology of the goose, the Government is in the position of saying that "He who brings enough magic food for the goose to last a week must pay more than he who brings only enough of the magic food for one skimpy meal."

One more sad story of "successful" inventor

In closing I will tell one more true instance of a private inventor who is one of the more "lucky" few to get his invention on the market, but who, nevertheless never got back his costs. Incidentally, I give the committee staff permission to delete the remainder of this statement if I am abusing the privilege of extension of remarks. But I think Congress cannot adequately judge the discouraging effect of high fees without knowing that fee discouragement must be added to many other discouragements of which this is an example.

The invention in patent 1,980,004 was a stepladder in which the successive steps were really platforms. The user could move away the platforms above the desired height and have freedom to enter and turn about on the chosen platform remaining. I have two of these ladders at home. I regard them as definitely superior to the ordinary stepladder with its narrow steps.

This inventor found a licensee. The ladders were actually put on the market. It is my recollection that the inventor was paid little or nothing as a downpayment and that the licensee repudiated the contract after a few months and never paid anything thereafter. The business continued awhile but did not flourish,

partly because the manufacturing cost of the ladders necessitated a higher price than standard ladders. It is quite possible that with our present state of economy (or perhaps better marketing before) these ladders would go well. The patent is now expired and the inventor's contribution is ready and waiting for anyone who wants to use it.

Would it have been fair, 3 years or 4 years before the expiration of this patent, to require the inventor to pay $300 in order to keep the patent in force? As a matter of fact, under the wording of H.R. 8190, he would have had to pay the earlier installments as they came along. He could not take an oath that prior to termination of the contract his licensee had not benefited. Under the wording of the bill, the fact that himself had not benefited, would not excuse him from having to pay the maintenance fees. Indeed, the bill does not specify a net benefit. Accordingly, even if both he and his licensee had lost money, if either of them had received an amount equal to the maintenance fees, they could not safely defer payment of the maintenance fees.

Mr. Schramm had some other patent applications at about the same tim I am not sure whether any of them ever issued as patents or not. It was obvious that he was discouraged at the time of my last contact with him. Of course, part of his discouragement was due to the high cost of litigation which made it impractical for him to sue the licensee.

I am reasonably sure, however, that the high cost of patenting was a substantial discouraging factor but for which the public might have received additional benefits from this man. Incidentally, the last communication I found in my file was from Mrs. Shcramm. She indicated that they had decided to consider the matter closed. This, again, is an instance where the modern wife has a share in making decisions. To get full benefit from our patent system you have got to keep costs down low enough so that the wives are willing to let their husbands gamble in the first instance, and after one failure, are still willing to let the husbands gamble again.

Let me say that I am convinced that the ability to invent is rare. Statistics suggest that if much more than one in a thousand persons in our country has the ability to invent, they have not yet been encouraged to do so. My experience indicates that even among highly capable engineers, the percentage who have the ability to create, to come forth with a really inventive concept, is quite small. This rare talent deserves more public appreciation; and public interest requires that we try hard to get the maximum public benefit out of this rare talent.

Senator McCLELLAN. Our next witnesses will be Mr. Choate and Mr. Blair. Come around, please, gentlemen.

All right, gentlemen, have a seat. Do you have a prepared statement?

STATEMENTS OF ROBERT A. CHOATE, PATENT ATTORNEY, AND JOHN A. BLAIR, PATENT ATTORNEY, MICHIGAN PATENT LAW ASSOCIATION

Mr. CHOATE. Yes, Mr. Chairman. I have a prepared statement which I would like to have made a part of the record if you please.

Senator McCLELLAN. It may be received and printed in the record at this point.

(The statement of Mr. Choate follows:)

ADVANCED STATEMENT PURSUANT TO PROPOSED HEARING, FEBRUARY 27, 1964

My name is Robert A. Choate. I am a graduate of the University of Michigan Law School (1936) and I have been practicing patent law in Detroit since graduation with the firm now called Barnes, Kisselle, Raisch & Choate. I am presently the president of the Michigan Patent Law Association, an organization of over 200 members. It is also my privilege to lecture on patent law at the University of Michigan Law School.

I should first state that the Michigan Patent Law Association, at its meeting on February 4, 1964, passed a resolution unanimously opposing the fee bill presently identified as H.R. 8190. While I speak today partly as representing this group, my remarks are primarily based on personal observations as a result of my experience in the practice of patent law. I will hope that Mr. John Blair, a patent attorney also of Detroit, will have had or may have an opportunity to speak on the subject.

It is an interesting thing that in the history of civilization there have been attempts by many governments to completely cut off individual monopolies and yet in each case, there has been a return to the so-called patent monopoly to encourage inventors and discoveries. This has happened in Venice as early as 1474 where the Senate of that Republic passed a statute to encourage men of genius to "build devices of great utility and benefit to the Republic." This happened again in 1624 in Great Britain where personal monopolies granted by the Crown were outlawed, but patent monopolies were favored and set up under the sponsorship of the Crown. It is common knowledge that the organizers of the early Government of the United States adopted the now well-known constitutional provision which is the basis for all statutory activity in this field.

Now, I am assuming that in the proposed fee bill, there is no ulterior motive to destroy or hamper the patent system. Yet, it seems to me that the effect will be destruction or great reduction in effectiveness for the following reasons.

1. *First, individual inventors are still a large proportion of the applicants for patents.*—There are a number of figures to prove this point. The Patent, Trademark, and Copyright Foundation of the George Washington University has an extensive report on this subject in volume 3, No. 3 of its publication issued in the fall of 1959. On page 221 of this document, we find a breakdown of the number and percentage of patents issued to corporations and individuals. For the period from 1936 to 1955, covering a total of almost 700,000 patents, there is a general average of about 59 percent of the patents assigned to corporations, both domestic and foreign, and about 41 percent of the patents unassigned, these granted to the individual inventors (table 1, attached).

To check this out, I have examined the patents that have issued to clients of our office over a period of the last 10 years, and I find that 50.7 percent of all the patents procured by our office have been issued to individuals, the remaining being assigned to corporations, large and small (table 2, attached).

I might add that hardly a day goes by that there isn't some call from an individual who has never invented anything before who has come up with some idea that he wishes to protect.

2. *The proposed increased fees may very likely prevent the filing of many patent applications by individuals.*—We can only predict the future on the basis of past experience and it has been my experience that a very large proportion of the individual inventors with whom I have daily contact have to take fees out of ordinary income, that is, they have to fit it into a family budget and under many circumstances the needs of the family are a real concern when it comes to spending money for patent protection as well as for development and the making of models and the like. If the present fee bill is passed, it will become the obligation of every ethical patent attorney to explain the fee system to the inventors. If they have to impress upon the inventor that the fees of the Government are now $125 as a very minimum, plus another possible $30 to $60 for printing costs and other cumulative charges, dependent on the number claims, I can foresee that the novice inventor is apt to be completely frustrated financially before he even starts in his progress toward patent protection.

A simple example of this might be illustrated in a patent which I have here which issued to S. M. Collins, No. 2,667,218. When Mr. Collins came to see me in 1952 with his invention on a folding door, he was practically penniless having been unsuccessful in one business venture and having started on another one which had required all of his capital. I am confident that if he had been faced with the fees that are presently proposed in the legislation under consideration, that he would very likely have failed to file the application which resulted in this patent. As it turned out, this patent, which was held valid in both the fourth circuit and the sixth circuit, was the basis for a tremendous new business which not only stimulated many other businesses in competition therewith, but which developed to a production of millions of the

particular product. I am sure that in income tax alone, the Government has prospered greatly by the issuance of this patent.

3. *Loss of filing by individual inventors will put the patent system in the hands of large and prosperous corporations.*—Large corporations can well afford to file and maintain patents. They can more easily persuade individual outside inventors to give up their inventions because they cannot afford to file and prosecute and maintain their patents; and, as a result, the small companies that might otherwise develop with the distribution of employment to smaller communities will be hampered in obtaining and maintaining patent rights. This does not require the inference that big corporations are evil, but they can well use the stimulation and competition of new, small businesses just as any of us, in whatever walk of life, can use the disciplines to which life subjects us.

At this point, may I then advance the solution that I think is the proper one under the present circumstances. I urge that the fees should remain exactly as they are. I believe that representatives of the public should consider the Patent Office to be a public service just as is the administration of justice or the administration of public parks. If the cost of the patent system were to be compared with the cost of the courts of the judicial system, or the costs of many other governmental services, I think it would be found to be a very small fraction of many of these costs.

I believe that we should abandon entirely the idea that the Patent Office is to be a self-sustaining operation. It is not maintained primarily for the benefit of the individuals who are using it but primarily for encouraging fast and complete disclosure of ideas. There should be no penalty for completeness of disclosure and there should be no penalty for adequate definition in the form of the claims. I venture to say that many legislators, as well as many general attorneys, don't even know what is meant by a claim in a patent specification, but it is a highly significant portion of the specification and peculiarly an American contribution to patent systems wherein delineation of the invention and definition over the prior art is complete and as exacting as possible. These disclosures and claims are clearly and primarily for the benefit of the general public.

In the submission of an annual budget, the Patent Office will continue in its obligation to the Congress to be an efficient, well-run organization. Any other system involving self-sustaining fees can well result in an unregulated, ingrowing arm of Government which decreases in effectiveness and constantly raises the fees to compensate for faulty administration and loss of revenue due to fewer applications.

Just two more points—

First, if an inventor is successful, his increased income will certainly bring an immediate benefit to the Treasury of the United States. It does not have to be tied to the patent to produce revenue for the U.S. Government.

Lastly, I would emphasize once more the fact that patents create jobs. Time after time, I see new ideas create new products which create small business organizations, new employment, and a stimulation of competition. I have never been able to understand why many persons supposedly friendly to employed persons seem to assume that part of their image must include a position adverse to patents. These are the very stimulus for more jobs. I am not talking about patents on rockets to the moon or complicated automation equipment although even these do contribute to the salary checks of many an important skilled worker. I am talking more about patents on such things as games, garden tools, folding doors, drills, valves, gages, tools, expanding mandrels, garbage disposal units, power mowers, chain saws, can openers, tents and camping equipment, and fishing lures. In this field of small products, the patent system surely provides the "fuel of interest" which Lincoln said would feed the "fire of genius." It provides healthy new growth for our economy.

I sincerely hope, therefore, that those of you who are responsible for legislation relative to patents will think deeply into this subject and examine the fundamental working and purposes of the patent system before any recommendation is made relative to additional fees, which, for the reasons above stated, I believe, will be a detriment to the system and accordingly to the people you represent.

TABLE 1.—*Number and percentage distribution of patents by type of recipient at the time of issue for each year 1936, through 1955* [1]

Year of issue	Total number [2]	Number					Percent [3]				
		U.S. corporations	Foreign corporations	Total to corporations	Total individuals	U.S. Government	Corporations			Individuals	U.S. Government
							United States	Foreign	Combined		
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
Total	698,954	378,399	31,189	409,588	283,685	5,681	54.1	4.5	58.6	40.6	0.8
1936	39,782	21,207	1,903	23,110	16,639	33	53.3	4.8	58.1	41.8	.1
1937	37,682	19,831	1,824	21,655	15,994	33	52.6	4.8	57.5	42.4	.1
1938	38,060	19,635	2,063	21,698	16,303	59	51.6	5.4	57.0	42.8	.2
1939	43,072	21,800	2,640	24,440	18,582	50	50.6	6.1	56.7	43.1	.1
1940	42,235	22,165	2,406	24,571	17,624	40	52.5	5.7	58.2	41.7	.1
1941	41,109	22,632	2,112	24,744	16,322	43	55.0	5.1	60.2	39.7	.1
1942	37,901	22,019	1,286	23,305	14,534	62	58.1	3.4	61.5	38.4	.2
1943	30,248	18,022	524	18,546	11,654	48	59.6	1.7	61.3	38.5	.2
1944	27,156	16,769	645	17,414	9,636	106	61.8	2.4	64.1	35.5	.4
1945	25,313	15,665	580	16,245	8,981	87	61.9	2.3	64.2	35.5	.3
1946	21,662	13,486	585	14,071	7,444	147	62.3	2.7	65.0	34.4	.7
1947	20,056	11,448	669	12,117	7,784	155	57.1	3.3	60.4	38.8	.8
1948	23,916	13,124	628	13,752	9,812	352	54.9	2.6	57.5	41.0	1.5
1949	35,105	18,536	1,127	19,663	14,957	485	52.8	3.2	56.0	42.6	1.4
1950	43,024	21,782	1,660	23,442	18,960	622	50.6	3.9	54.5	44.1	1.4
1951	44,319	22,305	2,163	24,468	19,192	659	50.3	4.9	55.2	43.4	1.5
1952	43,608	22,340	2,035	24,375	18,538	695	51.2	4.7	55.9	42.5	1.6
1953	40,466	21,230	2,294	23,524	16,284	658	52.5	5.7	58.1	40.2	1.6
1954	33,809	18,319	2,301	20,620	12,531	658	54.2	6.8	61.0	37.1	1.9
1955	30,430	16,084	1,744	17,828	11,914	689	52.8	5.7	58.6	39.2	2.3
1937-53	594,932	322,789	25,241	348,030	242,601	4,301	54.3	4.2	58.5	40.8	.7
1938-54	591,059	321,277	25,718	346,995	239,138	4,926	54.4	4.4	58.7	40.5	.8
1939-55	583,430	317,726	25,399	343,125	234,749	5,556	54.5	4.4	58.8	40.2	1.0

[1] Distribution of Patents Issued to Corporations (1939-55). Study of the Subcommittee on Patents, Trademarks, and Copyrights of the Committee on the Judiciary, U.S. Senate, 84th Cong., 2d sess., pursuant to S. Res. 167, Study No. 3, Washington, 1957, p. 12, tables 6 and 7. See also figs. 3 and 4, pp. 14-15.

[2] The figures in this column may be somewhat different from those in the original, but they are internally consistent. That is, the col. 2 figures represent the sum of those given in cols. 3 to 7, inclusive, and these figures were taken from table 6, supra.

[3] The percentages were computed from the frequencies shown in cols. 2 through 7, inclusive.

Source: The Patent, Trademark, and Copyright Journal of Research and Education, vol. 3, fall 1959, No. 3.

TABLE 2.—*Assignment data for patents procured by Barnes, Kisselle, Raisch & Choate, 1954–63*

Year	Assigned to company	Not assigned to company	Total	Percent assigned to company	Percent not assigned to company
1963	39	32	71	55.0	45.0
1962	47	38	85	55.4	44.6
1961	42	19	61	69.0	31.0
1960	43	54	97	44.3	55.7
1959	61	65	126	48.4	51.6
1958	41	54	95	42.3	57.7
1957	37	48	85	43.5	56.5
1956	28	57	85	33.0	67.0
1955	26	20	46	56.5	43.5
1954	51	41	92	55.6	44.4
Total	415	428	843	49.3	50.7

Mr. CHOATE. I would like to emphasize a few points that I made in that statement, and a few other points.

Senator MCCLELLAN. Does that statement identify Mr. Blair also?

Mr. BLAIR. No, Mr. Chairman. I have filed a separate statement.

Senator MCCLELLAN. You have filed a statement?

Mr. BLAIR. Yes, and I would like to be heard separately.

Senator MCCLELLAN. Very well, just so we get you identified so the record will reflect who appears before us.

You have filed a statement, too?

Mr. BLAIR. That is correct, Mr. Chairman.

Senator MCCLELLAN. Let your statement appear in the record at this point. It will be printed in the record.

(The statement of Mr. Blair follows:)

STATEMENT OF JOHN A. BLAIR, RELATING TO A BILL TO FIX THE FEES PAYABLE TO THE PATENT OFFICE (H.R. 8190)

Mr. Chairman and members of the subcommittee, I am John A. Blair, a patent lawyer and member of the firm of Harness, Dickey & Pierce of Detroit, Mich. I have been engaged in the private practice of patent law for 29 years, during which period I have represented both plaintiffs and defendants in patent infringement suits in Federal courts, and have prosecuted applications for patents in the Patent Office. In the course of this law practice, I have represented individual inventors and small-, medium-, and large-sized corporations. Prior to my private practice of law, I was employed as an examiner in the U.S. Patent Office. As a result of my experience with the working of our patent system, I believe that the following observations are sound:

1. The sole purpose of the patent system is to benefit the public by encouraging invention. The more inventions we make, the more we add to the strength of our economy, the volume of our production, and the total of our employment.

2. The more we encourage our citizens to make inventions, the more we strengthen our economy; and the more we discourage invention, the more we weaken our economy relative to that of other countries. I make the unequivocal statement that if this philosophy is not true, the American patent system should be abolished. President Franklin Roosevelt's National Patent Planning Commission concluded that the American patent system is the basis of our entire industrial development and I see no sense in biting the hand which feeds our economy. (See third report, dated June 1945.)

3. Our own patent laws so strictly limit and prescribe the form of patent application claims in an attempt to make sure that the inventor receives no more than that to which he is entitled, that the cost of preparing, filing, and prosecuting applications in the United States is by far the highest in the world. The Patent Office fees for filing and issuing patents alone are the highest in the world; and only in the United States are the laws so re-

strictive that it is necessary to employ a highly skilled lawyer to obtain a patent.

4. The excessive cost of obtaining patents in the United States is undoubtedly a factor responsible at least in part for the fact that the number of patent applications per capita filed in the United States is much lower than that of the leading European countries. See attached table 9 from former Commissioner Ladd's statement filed with this committee.

5. The proposed increase in fees will simply add to a burden which is already having an adverse effect upon the welfare of the United States.

6. The major portion of the high cost of operating our Patent Office is due to the great effort expended in an attempt to insure that no unworthy inventor receives a patent. This effort is in marked contrast with that exerted in countries such as France where there is no examination of applications. This added effort may or may not be justified, but certainly its cost should not be assessed against the inventor who is the victim rather than the beneficiary of the procedures of the Patent Office.

7. The principal effect of maintenance fees, as well as filing, final and prosecution fees, will be to penalize the small concerns who are struggling to compete with our economic giants and who own patents covering inventions not yet in commercial use. Just as the proposed new fees or increased old fees would add insignificantly to the percentage of total Federal income, so would it adversely effect the percentage of large corporate outgo; but the effect on smaller companies and individuals would disastrously effect their financial encouragement to invent.

TABLE 9.—*Per capita figures on patent applications filed in selected countries (1956–60 average)*

	Number of applications [1]	Population in thousands [2]	Ratio
Switzerland	13,615	5,185	2.63
Sweden	12,212	7,415	1.65
Austria	8,936	7,021	1.27
Belgium	10,925	9,053	2.21
Norway	3,860	3,526	1.09
Denmark	4,722	4,500	1.05
Germany	54,932	54,373	1.01
Netherlands	11,264	11,221	1.00
France	32,366	44,500	.73
United Kingdom	[3] 31,738	51,680	.61
United States	[4] 76,752	173,260	.44
Italy	[5] 20,649	48,635	.42
Japan	37,998	91,760	.41

[1] Includes applications filed by foreigners.
[2] 1958 estimates.
[3] Complete specifications only.
[4] Excludes designs and reissues.
[5] 4 years only.

Source: U.S. Department of Commerce, Patent Office (1962).

Senator McCLELLAN. You may proceed.

Mr. CHOATE. Thank you. We appreciate very much the privilege of coming to this hearing, and your time and effort in attending it. We appreciate that very much and very sincerely.

I am a practicing patent attorney in Detroit, and have been for about 26 years, and am presently president of the Michigan Patent Law Association, which I represent to some extent at this time.

I also lecture on patent law at the University of Michigan, and feel a certain responsibility to those students that I am sending out into the world to practice in this profession.

I think I might start out by saying that I think more highly of the patent system than many of the people that have attended these hearings to whom I have listened over the last couple of days. I

think perhaps Congress thinks more highly of it too than some of these people assume.

I felt some encouragement in hearing Mr. Hill this morning and Mr. Robertson, because I thought first that my proposal not to increase the fees might sound a little naive and a little unrealistic, after hearing some of the testimony here.

But my position is that the fees are presently fair and just, and that the patent system is well worthy of support of the Congress in its total budget requirements.

There are two fundamental assumptions I believe in connection with some of the testimony here that I think should be challenged. First of all who is the primary beneficiary of the patent system? I have heard several times proponents of these bills say that the primary beneficiaries are the inventors. I don't believe that is true. I don't think that you will find many statements in the court decisions which say that.

They say that the primary beneficiary should be the public and is the public. You can go way back to 1474 in the Republic of Venice, where the senate chamber in that Republic passed a patent law which was for the benefit of the public, to bring ideas of genius to the public. So that we have a longstanding history in civilization of patent systems that have been supported by the legislative bodies.

There has been a lot said about the primary beneficiaries of the patent system, and I think we can assume that many of the witnesses here have testified to that.

The second point I would like to bring out is that the Patent Office has raised the question of backlog. They say the Congress is concerned about the backlog of patents.

Now this may be true ostensibly, when you look at the patent system and see how many applications they are processing, and how many they are turning out a year and how many are coming in, this may seem to be a real problem. But to many patent attorneys, and I think to many inventors, this is not a problem.

We are working on a 17-year monopoly here and just like growing an oak tree, you don't do it overnight. You have got to take some time to do it.

In the lifetime of many of us here, the patent system has been altered so that you have only 1 year instead of 2 to file after your first public use. You have only 6 months to reply to the Office instead of 1 year as it used to be.

We have now compact prosecution to speed up this process of prosecution. I claim that the attorneys need time to develop a good patent.

You have seen and heard testimony about the difficulties of claiming. I feel that it takes time. I have worked with some very fine attorneys in my time, and I find that it is a very rare person who can pick up an invention, and the first time draft claims properly which they are satisfied with from that time on.

They come back to it a time or two again, and they find new ideas and new analysis which gives them a better job in the long run. When you consider how much time and money is spent to knock down a patent once it is issued, if somebody wants to infringe it or challenge it, I think the people that are trying to build it up, and especially those

persons who have limited income to do it, should have this time, so that their attorneys can work it into their work schedule and do a good job.

There is one other feature of the patent system. That is that you can get a special action procedure if there is an infringement going on or if you are looking for some opportunity to get investors, you can get speedier action from the Patent Office on certain cases if you make a showing.

This brings me down to my main point, and that is that I would like to represent individual inventors here just the same as Mr. Robertson did. I have seen the figures of some of the previous investigations which I have cited in my statement, which indicates that about 60 percent of patents are assigned as they issue, and about 40 percent are issuing to the individual inventors themselves.

Just to check this out, I went through the records of our office, and we have about eight men working there now. Over the last 10 years I have checked all the patents that issued, and I find that there are 50.3 percent patents that issued to individual inventors and 49.7 percent that issued to corporations.

I do a good deal of my work for individual inventors rather than the large corporations, and I know what some of the problems are for these inventors to pay their fees in the Patent Office, and to pay the attorney's fees that necessarily go along with this. As you have indicated, sometimes the attorney has to be a little lenient in extending credit, and sometimes he gets his money and sometimes he doesn't. But this is at least a flexible portion of the cost.

To give you some example, I agree with Mr. Robertson that many times these costs have to come out of an individual family budget, and all of the affairs of the family have to be considered.

If I were to try to explain the costs to an inventor at the present time that might occur from this Willis bill, I am afraid that he would be definitely discouraged before he would ever start. I couldn't start by saying, "Well, the initial fee is $50; that is all you have to worry about." I would have to go right through to the end and come up with maybe $400 or $450 that is going to be the total cost.

Senator McCLELLAN. That would be over a period of years.

Mr. CHOATE. Yes, that is true, but when I indicate to him that total cost, I think that the fact that some of it is delayed is not going to ease the situation as far as he is concerned.

Senator McCLELLAN. I would think that counsel certainly should advise him of this continuing situation.

Mr. CHOATE. Oh, yes; you would certainly do that.

Senator McCLELLAN. If he didn't do that, he would be derelict in his duty. But in order to obtain the patent, the maintenance fee is not involved.

Mr. CHOATE. That is correct; yes.

Senator McCLELLAN. All of the increased costs of the independent claim.

Mr. CHOATE. The independent claim, that is correct.

Senator McCLELLAN. Plus the additional cost of a filing fee and an issuing fee.

Mr. CHOATE. Here again of course you would have difficulty in your initial conference explaining to him whether you are going to have 1 independent claim or maybe 7 or 10. I mean that would be something

that you would have to leave until you had worked out the application, and then you would come up with a proper cost that you think it might be. So that you would have some difficulty advising him properly as to what he would have to pay.

Senator McCLELLAN. It would be safer to just say it is just going to cost you $100 more than that.

Mr. CHOATE. That is about it; yes.

Now I have one example of that, a patent which I have cited in my statement, 2,667,218. The inventor came in to me in 1952 with this idea on a folding door. He had just had an unsuccessful—and by the way, he has permitted me to quote him on this or to tell about this—he had had an unsuccessful business venture in one respect, and he had invested everything that he had in another one, and he came out with this idea.

I am confident that if I had had to explain the fees that are in the Willis bill to him, that he never would have filed this application. Yet this was issued. It has been sustained in the District Courts of the Sixth Circuit and the Fourth Circuit.

It has resulted in a new business which has turned out millions of products, and the resulting benefits to the Government in income tax, both corporate and individual, has been remarkable, paying the cost of getting the patent and many other patents many times.

There is one other feature that I would like to go into. Well, along this same line they say that necessity is the mother of invention. I say also that financial necessity is very often the mother of invention. You find a man who is in straitened circumstances begins to turn to some idea that he can get protection on, to help his situation.

Senator McCLELLAN. Finances might be an obstruction to the birth of an invention.

Mr. CHOATE. Pardon? Oh, yes.

Senator McCLELLAN. Financial considerations might be the obstruction to the birth of an invention.

Mr. CHOATE. Well, that is true, but it might also be the incentive to the birth, because the man by necessity has to come up with some stimulus to the mental processes.

I would like to, in this connection, make one other point, and that is that each invention that is issued may result in a new industry, a new little business that comes up. I have gathered from some of the remarks that have been made here that a lot of the large corporations aren't going to be too concerned about the increase in fees. They can afford it.

I think there is some other subtle inference here too, and that is that possibly there won't be so many independent inventors who will be bothering them with competition on new products. Now this is purely speculation, but it is borne out by experience, that many times small corporations will be formed around a patent.

It will create jobs, and in this respect I have a great deal of difficulty with many people who are supposedly liberal in their thinking, who seem to think that part of their image is to be against patents, because I am convinced that patents create jobs, and jobs is what we need in this Nation to increase employment and to keep up the competition that is going on.

Senator McCLELLAN. Do I understand you to say that the liberal point of view is to do away with this system?

Mr. CHOATE. I have noticed that through the years, that many people who consider themselves liberals seem to take a position against patents. I have never been able to understand that position.

I don't know whether it is that patents are sometimes associated with big business, and maybe that is what they have in mind, but I think if they looked at the facts and saw how many new businesses are created because the investors have been encouraged by the possibility of patent protection, they would certainly reverse their position in that regard.

Senator MCCLELLAN. On that issue I am still a conservative then. I believe in the patent system. I don't want to do anything to impair it. You have simply got an issue here of whether we are to raise the fees in order to raise some more revenues.

I am inclined to the view that we should, and that some higher percentage of the cost should be recovered. Maybe I am wrong at the moment, this is my tentative thinking, that that can be done without destroying incentive, and on the basis of the value of the dollar and so forth, when the fees were fixed before, a doubling of the fees now would not be out of line, something along that order.

I think we ought to raise it some, 50 percent, 50 or 65. I was trying to get the consensus among those who agree that some increase would be justified, and so far they have testified up to about 65 or 75 percent, somewhere in that area, would be about right.

Mr. CHOATE. This has been a little distressing to me as I have sat here to hear some of this testimony. I was encouraged by Mr. Hill and Mr. Robertson, that they would incline to my view that it would be reasonable to leave the fees right where they are.

Senator MCCLELLAN. Right where they are?

Mr. CHOATE. Yes.

Senator MCCLELLAN. Up until Mr. Hill testified this morning, I believe we had had no one indicating any objection to raising the fees.

Mr. CHOATE. We who have been holding this position would have hoped that your mind had been kept open throughout the entire hearing, so that the order of service, shall we say, would not have set the course before we had a chance to speak to it.

Senator MCCLELLAN. I don't think we are prejudiced by the other testimony having been received first. I just had no information that there was a viewpoint that there should be no increase.

Mr. CHOATE. Yes.

Senator MCCLELLAN. All right, proceed.

Mr. CHOATE. I just feel that the patent system does give terrific advantage to the country in the fact that it encourages investors, and actually a patent to an individual is no good unless he or someone else can invest in it and create a business.

Senator MCCLELLAN. Isn't this true? Unless there is going to be production, unless there is going to be an implementation of the patent, it is worthless.

Mr. CHOATE. That is right; yes.[4]

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[4] Subsequently Mr. Choate submitted the following statement:

"When I referred to a patent being 'no good' unless it could attract investors, I was referring to the value to the individual inventor-owner. It should be obvious that the disclosure would have its usual value of contributing to the general fund of knowledge thus stimulating additional ideas and being available, upon expiration, to the general public."

Senator McCLELLAN. And to implement it, to make the investment that is sometimes necessary to implement it, to take the risk of the cost of getting it processed and on the market and so forth, the patent affords a protection that it shall not be infringed.

In other words, for a time at least until something better develops and is patented, you will be protected from someone else picking it up and immediately go into competition with you. You have a better chance of making a success of it.

Mr. CHOATE. That is correct.

Senator McCLELLAN. That is the purpose, one of the purposes of the patent law.

Mr. CHOATE. Yes. I can testify from personal experience that I have seen this happen many, many times. I would like to read just a short quotation from Judge Frank's opinion in *Picard* v. *United Aircraft* (128 Fed. 2d., 632, 642). In 1942 he said:

> It is sometimes said that there is no need thus to coax investors because our giant corporations, with their research laboratories, will, without such bait, do the needful. The answer perhaps is that industrial history discloses that those corporations, at times and to some extent, have been prodded into undertaking such research and into developing improvements because of the threat of competition from occasional "outsiders," armed with patent monopolies, and supplied with funds by a few private enterprisers.
>
> Thus, paradoxically, monopoly may evoke competition. The threat from patent monopolies in the hands of such "outsiders" may create a sort of competition—a David versus Goliath competition which reduces the inertia of some huge industrial aggregations that might otherwise be sluggish.

Then he goes on to give an example. I would try to sell the patent system, and I think that it is important that the patent system and the Patent Office have to sell itself to Congress constantly. I know it is a hard job, and we have to get this budget every year.

But I feel that if we fail to sell ourselves to Congress, and we start the system of getting enough fees that we can pay our own way, that you are going to have an ingrowing situation where inefficiency may be the watchword rather than efficiency.

And as so often happens, you haven't got quite enough money, so these reasonable fees that we set in 1964 have to be boosted a little more and a little more to make ends meet, and you find that you have dodged the issue in 1964, and you have got a situation that just does not encourage invention.

Thank you, sir.

Senator McCLELLAN. Very well. Mr. Blair, do you have any comments?

Mr. BLAIR. Yes, Mr. Chairman, if I may. I will not repeat the statements of Mr. Choate with which I concur. I likewise concur with the previous witnesses who have indicated that they are in sympathy with either no raise in fees or at least the irreducible minimum increase. I am a practicing attorney also in Detroit.

I am a former president of the Michigan Patent Law Association in the private practice of patent law for 29 years. Prior to that time I was employed in the U.S. Patent Office as an examiner for 6½ years. So I have had about 35 years of experience with the patent system in two capacities.

I have represented both defendants and plaintiffs in patent infringement litigation, and my clients have been individuals and corporations running from small to large.

On the basis of my own experience, I feel that there is every reason to charge a very substantial portion of the costs of operating the Patent Office to the general public. Now in addition to the reasons which have been mentioned, I would say here that there seems to be no dispute between any of the witnesses, and I am including those pro and con, as to the objectives of the patent system.

The only issue here is what proportion of the costs should be charged to the public and what proportion to the applicants for patent. On that issue there is one point I would like to emphasize which I don't think has been stressed. That is this.

The American patent system, our patent system, differs from that of all other countries in the world in one very crucial respect, and that is our requirement by statute that the inventor particularly point out and distinctly claim his invention.

Our courts have given this statutory language a very restrictive interpretation, in consequence of which the United States is the only country in the world in which it is necessary to employ a skilled lawyer to prosecute a patent application. It costs more to get a patent in the United States than it does in any other country in the world because of the legal fees required.

Now I am speaking against my own profession in a sense here, because I feel that the real weight on inventors is the legal cost, the fees which are charged by us attorneys.

Senator McClellan. What is the usual fee charged for the ordinary patent say involving four or five independent claims?

Mr. Blair. Senator, I hate to hear us all keep talking about the ordinary case because there is no ordinary case. But let us say the range may well be—I am speaking of the fees for preparing and filing. Is that your question?

Senator McClellan. Yes.

Mr. Blair. They would range I would think from say $200 for a simple case or $150 perhaps in rare instances up to over $1,000 for more complicated cases.

Senator McClellan. That doesn't seem to me to be out of line comparing it with our economy and standard of living today. But when you say it costs more here than in any other country, it is probably worth more here than it would be in any other country to have a patent.

Mr. Blair. That may be. Of course the reason it costs more, the primary reason is that more skill is required to draft these claims.

Senator McClellan. Well, you get better protection here than you do in other countries?

Mr. Blair. I am not sure that is true, Senator. I seriously doubt that.

Senator McClellan. Why is our system so much more burdened with requirements then than the other systems if the other systems afford an equal amount of protection?

Mr. Blair. The basis for this feature of our system is that we wish to make certain of two things.

One of them is that the inventor's monopoly does not extend beyond the bounds he is entitled to and, second, that the claim in his patent will so clearly define the boundaries of that monopoly that every member of the public is fully advised and has no difficulty in ascertaining the scope of the patent, and therefore whether or not he may be infringing.

This is a salutary concept. But I am afraid or fear that it has been so strictly construed against the inventors that it has become a burden.

Now I am not advocating a change at this time. I am merely pointing out that our system has chosen to go this way, which may or may not be the proper way.

The result is it has added to the cost of obtaining patents in the United States, and I suspect that added cost may have some bearing on these statistics which we have discussed, which indicate more applications are filed in foreign countries per capita.

But in any event, this same feature of our system has a bearing on the costs of operating the Patent Office, and I venture to say that the vast proportion of the total costs of examining patents in the Patent Office results from the necessity that the Patent Office make certain that the inventor complies with the requirements of law as regards the definition of his invention in language, that imperfect tool that we have to deal with, and with which he has to so exactly and precisely define the intangible character or essence of an invention.

This takes great effort on the part of the Patent Office. But it is effort exerted in favor of the public, not in favor of the inventor. He is the victim of this aspect of our system, and not the beneficiary.

For that reason, when this committee weighs the question of allocation of the cost of operating the Patent Office, I feel that this factor should be taken into consideration. Now I don't say that the patent system will be destroyed if you increase fees. I have no doubt at all that it has enough vigor to withstand and survive some increase in fees. But no increase in my judgment is fairly charged to the inventor. He can pay it in most instances, but I don't think it is fair to allocate it to him. That is all I have.

Thank you.

Senator McCLELLAN. Thank you very much, gentlemen.

The next witness is Mr. McKie. Please come around, sir.

STATEMENT OF EDWARD F. McKIE, JR., ATTORNEY, AMERICAN PATENT LAW ASSOCIATION, WASHINGTON, D.C.

Mr. McKIE. Thank you, Senator.

Senator McCLELLAN. All right, Mr. McKie. Do you have a prepared statement?

Mr. McKIE. Yes I do, Senator.

Senator McCLELLAN. Let it be submitted and printed in the record, and you may proceed to highlight it very quickly.

(The statement referred to follows:)

STATEMENT OF EDWARD F. McKIE, JR., ON BEHALF OF AMERICAN PATENT LAW ASSOCIATION, RELATING TO H.R. 8190, A BILL TO FIX THE FEES PAYABLE TO THE PATENT OFFICE, AND FOR OTHER PURPOSES

The American Patent Law Association (APLA) is a nationwide organization of approximately 2,500 lawyers from private practice, Government, and corporate employment, who represent all sizes and types of invention-producing organizations, from individuals attempting to protect and exploit their first inventions, to large corporations owning thousands of patents. That organization appeared before this subcommittee in the 87th Congress and testified, by the present witness, with respect to a predecessor to the present bill.

It was established during the prior hearing that the fees of the bill then under discussion (fees designed to provide revenue substantially equal to that predicted under the present bill, H.R. 8190) were set as high as they were because of the determination by the Bureau of the Budget that the Patent Office should be 75 percent self-sustaining. That determination was made under the guideline provided by 5 U.S.C. 140 that fees charged for services rendered by Government agencies should be set to render the service self-sustaining to the full extent possible, but should be "fair and equitable" taking into consideration—

"* * * value to the recipient, public policy or interest served, and other pertinent facts * * *."

Agreement was expressed with this principle but its application to require 75 percent cost recovery was challenged, particularly since—

(*a*) The patentee gains nothing but the negative right to exclude (not the right to use) his invention;

(*b*) The public gives up nothing since it never had the right to use the invention;

(*c*) The public gains a disclosure of the invention, the possibility of enjoyment of its benefits during the limited term for which the patent issues, and the free right to its enjoyment after that term expires;

(*d*) The examination of patent applications, which accounts for the major portion of the cost of operation of the Patent Office, is at least as much for the benefit of the public as for the applicant, since it is designed to prevent the issuance of the right to exclude the public from an invention to which it already has access, by reason of prior publication or obviousness.

This witness' previous testimony was to the effect that under these circumstances, while an increase in Patent Office fees was justified, a simple increase in the filing fee to $50 and in the final fee to $75 should be adequate.

APLA adheres to these views. Nevertheless, this subcommittee in the 87th Congress approved fees which are identical to those in the present bill. Consequently, while we respectfully request a reconsideration and reversal of this decision, we will concentrate hereinafter on alternatives to certain objectionable fees now provided in the bill, as well as upon opposition to these particular fees.

OBJECTIONABLE FEATURES OF H.R. 8190

I. Maintenance fees

By far the strongest opposition to any portion of H.R. 8190 is concentrated on its provision for maintenance fees. These fees require a patentee to pay several periodic postissuance fees (taxes, charges, or whatever) for the right to maintain the patent in effect for the entire term for which it was originally granted.

As recently as 13 months ago, APLA circulated to its entire membership a questionnaire on the very fees set forth in H.R. 8190. The highest response ever received from any such questionnaire was received for this one, 1,196 members replying. The response to the maintenance fee question was very strong:

"Do you object to maintenance fees—

"(*a*) As set forth in the above bill? Yes, 948. No, 157.

"(*b*) If necessary to avoid larger increases in filing and final fees as set forth in the bill:

"1. At $300 per patent? Yes, 732. No, 202.

"2. At some lesser sum? Yes, 548. No, 362.

"(*c*) Under any circumstances? Yes, 659. No, 362."

In other words, the persons most acquainted with the payment of patent fees[1] and the impact on those responsible for them, namely the practitioners who arrange for the payment of nearly all such fees, are not only overwhelmingly opposed to the maintenance fees provided by H.R. 8190, but are opposed even to lower maintenance fees, even thought it be necessary to raise filing and final fees to compensate for their elimination.

(*a*) *The first reason for maintenance fees, revenue.*—The main reason maintenance fees are suggested, of course, is for revenue purposes. The House committee report on H.R. 8190 (No. 949) indicates that such fees would ultimately (13 years after they go into effect) provide $2,877,000 in yearly income. This is, of course, an estimate based on no past experience with the particular

[1] Including "maintenance" fees, since U.S. practitioners have had considerable experience with comparable fees in foreign countries.

maintenance fee system of this bill and is therefore not reliable. Moreover, it does not take into account the cost of administering the fee.

Nevertheless, even assuming the validity of the income estimate (and ignoring the administration cost), the income from maintenance fees would not be so high as to require a tremendous increase in filing and final fees to compensate for their elimination from the bill. Certainly not the increase implied by the House debate on this measure when it was proposed that maintenance fees be struck from the bill—

"* * * We increased the base filing fee from $30 to $50. Do you want to increase it from $30 to $350?"

In fact, if only the filing fee were to be increased, and if it were required that as much yearly revenue be obtained immediately as would be provided after 13 years by maintenance fees, an increase of $35 only (not $300) would be required. Moreover, if it only be required that the amount realized without maintenance fees be at least as much as the gross income from maintenance fees, for the next 20 years, an increase in filing fee of $25 would suffice. (In fact, the gross revenue would be greater for the next 26 years. A reexamination of the fee structure would seem justified by the expiration of that time period, particularly it, as seems likely, the continuing study by this subcommittee should result in a substantial change in the American patent examination system. Any such change would undoubtedly make obsolete the present fee structure.)

If it were desired that the filing fee not be raised, in order not to discourage filing, but that the final fee be increased to compensate for the elimination of maintenance fees, it can be calculated that an increase in issue fees of only $40 would be required. Alternatively, the following combinations of filing and issue fee increases would compensate for elimination of maintenance fees:

Filing fee increase:	*Issue fee increase*
$5	$30
$10	22
$15	15

With any of these fee combinations, a patentee with a 17-year monopoly would be paying an added fee of only $25 to $40 for this 17-year right to exclude, as compared with the $300 in maintenance fees required by H.R. 8190. Moreover, there would be no additional administrative cost to the operation of these increases, as there would be with maintenance fees. Also, the total added yearly income would be realized immediately, and not in increments of 5, 9, and 13 years from now, by any of which times this fee structure might be out of date. Moreover, no radical change in the patent system would be introduced by these alternatives, as would be the case if maintenance fees were introduced.

In the House debate it was indicated that only the large corporations were opposed to maintenance fees. In fact, only the large corporations would stand to save substantially by the proposed system. Compare the savings for the 1 corporation which received 472 patents in 1955 to the savings for the 2,693 corporations each issued 1 patent in the same year,[2] presuming that maintenance fees avoided the payment of an additional $30 in filing and final fees. The large patent owner would have saved 472×$30=$14,160 while the 2,693 small corporations would each have saved $30.

But with the maintenance fee system of H.R. 8190 in effect in 1955, make the Commissioner's assumption that the $50 first maintenance fee would have been paid in 1960 on only half of the patents issued in 1955. The 2,693 by 50 percent equals 1,346 corporations owning 1 patent which decided to keep that patent in effect would have paid $50 each, or $20 more than if no maintenance fee system had been in effect.

Presume further, with the Commissioner, that the second maintenance fee would be paid only for 25 percent of the issued patents. Then 2,693 by 25 percent equals 673 of these small patent holders would pay the second fee of $100 in 1964, resulting in a net loss of $120 to such corporations from the maintenance fee system. Ah, but we have saved the 1,346 corporations which didn't even pay the first maintenance fee $30 each. Consider, though, why these corporations didn't pay even the first maintenance fee. The Patent Office presentation indicates the reason—the patents are deadwood—the inventions they represent are of no use to anyone. Should we worry about saving $30 each for patentees of inventions

[2] These figures are taken from table 9, p. 18, of study No. 3 of this subcommittee, "Distribution of Patents Issued to Corporations (1939–55)."

of no use to anyone, when to do so we must penalize patentees of apparently worthwhile inventions $20 each for a 9-year right to exclude, or $120 each for a 13-year right to exclude, or $270 each for the present 17-year right to exclude?[3]

(*b*) *The second reason for maintenance fees, the "elimination of deadwood."*—The only other reason given for the use of the maintenance fee system is that it will result in the elimination of unused patents, the Commissioner having estimated that 50 percent of the patents issued in any one year will be lapsed for failure to pay the first maintenance fee 5 years later, 75 percent will be lapsed for omission of the second maintenance fee 9 years after issue and 85 percent will be lapsed at the end of 13 years for failure to pay the third maintenance fee. It is said that this elimination of the "deadwood" will simplify infringement and right-to-use investigations and will even allow new businesses to be far freer in their copying of the recent inventions of others.

In fact, the House debate on H.R. 8190 even indicated that this elimination of "deadwood" would simplify the searches which the Patent Office makes. This latter of course is completely fallacious, because the Patent Office is not concerned with patent infringement, but rather with the novelty and unobviousness of patent applications. This type of investigation is not foreshortened or simplified by the lapsing or expiration of the patents covered, since the disclosure of such patents only is pertinent. Indeed, as pointed out above, aside from the income aspects, the maintenance fee system must necessarily result in greater expense and complexity for the Patent Office, in the administration thereof—not in less. (That is, unless it considerably reduces the number of patent applications filed, a result no one desires.)

But turning to the alleged benefit to industry in elimination of "deadwood," if there is such benefit, where is industry's evidence in support thereof? It is interesting that the only substantial support for maintenance fees has come from the Patent Office, and that the business associations, bar associations who represent business, and business entities themselves have consistently opposed the maintenance fee system. Why are these groups so consistently and vociferously opposed?

Perhaps it is because the real advantages of the elimination of "deadwood" are slight, that real "deadwood" (patents on inventions of no use) bothers no one, because no one wants to use such an invention.

Perhaps because "right to use" or infringement investigations would be simplified very little, if at all, since the good infringement searcher examines even expired patents, to be able to interpret the claims of later unexpired patents (the use of the subject matter of an expired patent cannot amount to infringement of an unexpired patent) and would therefore study lapsed patents to the extent determined by their relevancy, and since the uncertainty of lapsing incident the possibility of errors in marking Patent Office files and in maintaining maintenance fee records, might require such additional investigation as to cut down or eliminate any net timesaving through the actual lapsing.

Perhaps because the lapsing of patents found in the investigation to raise questions of possible infringement would not only remove forever any possibility of the owners recovering their investments in the patents, but would place a premium on copying, rather than on research and development.

Or perhaps because the opponents of maintenance fees have had extensive experience with comparable fees in foreign countries, including the waste of a system which requires a fee for each of two or three patent practitioners (at least one abroad and at least one or two here) for the reminders of due dates and the payment of the fee as well as the fee itself, so that the total cost is perhaps twice the amount of the Government fee; including the almost impossible requirement of determining periodically whether a patent is of sufficient importance to justify payment of the fee; and, including the continuous danger of human error resulting in the accidental lapse of an important patent.

With all respect to the well-intentioned persons who suggest maintenance fees as a positive benefit other than as a source of revenue, it is submitted that the evidence of such benefit is substantially nonexistent.

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[3] It is often said that the large corporations mainly employ patents for defensive purposes—to insure that no later inventor will obtain a patent on the same subject matter and possibly foreclose the large corporation from use of the invention. If such is the fact, maintenance fees would seem to aid this practice, since defensive patents need not be "maintained"—their issuance fulfills this purpose. As to such patent, therefore no maintenance fees would be paid. Yet their examination is as costly as that given other patents granted for the constitutional purpose.

II. The issue fees

H.R. 8190 provides for an issue fee of $75, plus $10 per page of specification as printed and $2 per sheet of drawing. Since the number of pages required to print a patent application cannot even be accurately estimated, before printing, without substantial effort, yet it is not desired that patents be printed before the final fee is paid, the bill provides for payment of the final fee in two stages—an estimated fee before printing, and the balance thereafter. The administrative waste in this system is evident.

The final fee schedule also tends to penalize the full disclosure required by the following portion of 35 U.S.C. 112:

"The specification shall contain a written description of the invention, and of the manner and process of making and using it, in such full, clear, concise, and exact terms as to enable any person skilled in the art to which it pertains, or with which it is most nearly connected to make and use the same * * *."

At a cost of $10 per page of printed specification there may be a tendency for the specification drafter to reduce the size of the specification to the minimum size thought by him to be essential to explain the invention, resulting in the risk that the patent may be declared invalid for incomplete disclosure.

Moreover, this printing fee tends to penalize the more valuable, if more complex or more fundamentally different invention, in favor of the simple gadget-type invention which requires very little printed explanation.

The above are some of the reasons that the membership of APLA objects to the final fee schedule, as indicated by these answers to the questionnaire referred to above:

"Do you object to the proposed final fee? Yes, 857. No, 295.

"Do you object to a final fee dependent upon the size of the patent and drawings—

"(*a*) As in proposed bill? Yes, 864. No, 219.

"(*b*) In some amount in keeping with the actual costs of examination and a reasonable cost of printing? Yes, 365. No, 704.

"(*c*) In any case? Yes, 354. No, 609."

In other words, while the membership of APLA opposes the final fee schedule of the present bill, it does not object to a final fee based on the actual costs of examination and a reasonable cost of printing. This can be taken care of in several ways, the preferred one being in accordance with the APLA-approved bill introduced by Congressman Laird as H.R. 8420, copy of which is attached. That bill provides for a $100 basic issue fee (note that the Commissioner's presentation indicates that the average issue fee under H.R. 8190 will be $115), plus $5 for each independent claim in excess of 5 and plus $2 for each claim (independent or dependent) in excess of 10. These additions to the basic fee of course, reflect the added cost of examination of the complex application and to some extent the printing cost. (This final fee schedule is estimated to provide in excess of $4,680,000 income per year as compared with $5,382,000 for the schedule of H.R. 8190.)

If the subcommittee should decide that the total income predicted for the final fee schedule of H.R. 8190 is essential, this same amount could be obtained with a basic final fee of $111, plus $2 per sheet of drawing, with complete elimination of the double payment system of the present bill (the Commissioner's estimate of income is based on an average of 3.6 pages of printed specification = $36 additional average issue fee.)

III. The filing fee

The application filing fee of H.R. 8190 is $50, plus $10 for each independent claim over 1, plus $2 for each claim (independent or dependent) over 10. Since the Commissioner's estimates indicate that the average application, even under the new fee schedule, will contain 12 claims, it is obvious that this fee schedule contains tremendous pressure toward the use of dependent claims (if all 12 were independent, the filing fee would be $50+$110+$4=$164, as compared with $30 under present law.)

The main objection to extreme economic pressure toward dependent claims is the uncertainty of the reactions of the courts toward such claims. In other words, the bar is very concerned lest a claim which might have been held valid if in independent form, be held invalid because dependent on another claim which itself is invalid. Specifically, the difference in subject matter between the two claims might well be unobvious (or "inventive"), but the psychological reaction of a judge to expression of that difference only as dependent upon

something old may result in invalidation. Unfortunately, there has not yet been enough judicial reaction to dependent claims to answer this objection. (The amendment to 35 U.S.C. 112 provided by sec. 11 of H.R. 8190 does not solve this problem, for it merely codifies existing law.)

Apparently for this reason, the APLA membership disapproved the particular filing fee schedule of H.R. 8190 as follows:

"Do you object to the proposed filing fees? Yes, 785. No, 363.

"Do you object to an application fee differential between dependent and independent claims—

"(*a*) As in proposed bill? Yes, 817. No, 289.

"(*b*) In some amount that can be justified on the basis of Patent Office costs of examination? Yes, 383. No, 657.

"(*c*) In any amount, however small? Yes, 380. No, 594."

In other words, though this particular fee schedule is disapproved by over 2 to 1, a fee schedule charging more for independent claims than dependent claims is favored by the same margin. It is felt that a more reasonable fee-exempt number of claims would solve this problem. Hence, H.R. 8420 (Laird) recommended increasing the basic filing fee to $75 and provided, as complexity reduction incentives, an added $5 fee for each independent claim over 5, as well as the $2 fee for each claim over 10. This filing fee schedule would provide about $415,000 more revenue per year than the corresponding schedule of H.R. 8190.

IV. The assignment recording fee

The largest increase in fee provided for by H.R. 8190 is in the assignment recording fee, to $20 per item recorded as compared with a present average of about $2.50 per item. The recording service is required by 35 U.S.C. 261 which, in pertinent part, states:

"An assignment, grant, or conveyance shall be void as against any subsequent purchaser or mortgagee for a valuable consideration, without notice, unless it is recorded in the Patent Office within three months from its date or prior to the date of such subsequent purchase or mortgage."

In other words, the recording service is primarily for the benefit of the public, so that anyone may check title to a patent before investing therein. Nevertheless, the patent bar is not unwilling that there be a reasonable fee for recording assignments, so long as such fee does not exceed the cost thereof. Admittedly, the $20 fee does. In fact a $5 fee per item would cover such cost.

In attempted justification for the eightfold increase in recording fees, it is said that the revenue must come from somewhere, and it is better to tax someone who has received something valuable from the Patent System, than the individual who has received little or nothing (perhaps because he disclosed no invention at all, or his invention, though novel, was useless). The theory is that a patent would not be transferred unless it were valuable. However, in 1955, 17,947 patents were issued to corporations (including 2,693 patents issued to the same number of corporations, or 1 per corporation).[4] Since a U.S. patent is not issued to a corporation unless an assignment is of record, there were at least 17,947 items recorded affecting those patents.

Were all these patents valuable? If so, how could half of them be found to be "deadwood," or unused only 5 years later, which is assumed by the Commissioner's presentation on maintenance fees? In fact, the recording of an assignment does not necessarily indicate value at all, no more than does the issuance of a patent.

As to the 2,693 corporations which each received 1 patent in 1955, if such patent had been issued under H.R. 8190, the cost of getting the patent would have risen $20, the cost of recording the assignment essential to obtain the patent. If the income from the $15 by which that fee exceeds the cost of the recording service, is essential, it should be obtained from a charge for the services whose costs are not paid for by the fees now planned.

V. The appeal fee payment system

Item 6 of section 1 of H.R. 8190 deals with appeals from the decision of the patent examiner to the Board of Appeals. A fee of $100 is set, with provision for return of $50 if no oral hearing is requested and $75 if the appeal is withdrawn.

The Commissioner's presentation indicates that 60 percent of all appeals are withdrawn prior to consideration by the Board. As to each of these cases

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[4] Study No. 3, footnote 2, p. 5, supra.

a refund of $75 of the $100 would be required. It is proposed by the attached H.R. 8420 (Laird) that the same appeal fees be collected but, rather than providing for refunds in at least 60 percent of all cases, the appeal fee be paid in two stages, $25 with the notice of appeal and the additional $25 or $75 with the brief (now required to be filed 60 days after notice of appeal is filed).

Since the great majority of withdrawn appeals are withdrawn before a brief is filed (the appeal having been filed only to give more time for prosecution before the examiner or for refiling the application), the alternative proposal would save the administrative expense of payment and refunding in most of the 10,000 appeals filed per year, and still provide the same revenue as that predicted by the appeal fee of H.R. 8190.

VI. Conclusion

It should be emphasized that the American Patent Law Association believes that the following objectionable features of H.R. 8190 should be eliminated from the bill without any compensating increase in fees:

(1) The entire maintenance fee system;

(2) The complex features of the issue fee schedule, including particularly the $10 per printed page fee;

(3) The extreme economic pressure toward dependent claims provided by the charge of $10 for each independent claim over one, and,

(4) The extremely high $20 recording fee designed to charge four times the cost of the involved service.

Nevertheless, in an effort to be constructive (rather than solely destructive), APLA recommends the fee schedule of the attached H.R. 8420 as an alternative to H.R. 8190. Finally, if this subcommittee reaches the conclusion that the total income predicted for the above undesirable features of H.R. 8190 is essential,[5] consideration of the following alternatives is recommended by the witness. (These alternatives have not been individually cleared by ALPA but are consistent with mandate of the above-referred-to questionnaire results):

(*a*) *Alternatives to maintenance fees*—

1. Basic filing fee of $75.
2. Basic filing fee of $65; basic issue fee of $90.[6]
3. Basic filing fee of $55; basic issue fee of $105.[6]
4. Basic filing fee of $60; basic issue fee of $97.[6]
5. Basic issue fee of $115.[6]

[Each of these alternatives would provide more gross income for the next 20 years than would the maintenance fees of H.R. 8190.][7]

(*b*) *Alternative to issue fee measured by size of printed specification.*—Basic issue fee of $111; plus $2 per sheet of drawing. (The issue fee of H.R. 8190 is $75 plus $10 per printed page of specification, plus $2 per sheet of drawing.)

(*c*) *Alternative to $10 additional filing fee for each independent claim over one.*—Basic filing fee of $75, plus $5 for each independent claim over 5, plus $2 for each claim over 10. (The filing fee of H.R. 8190 is $50 plus $10 for each independent claim over 1, plus $2 for each claim over 10.)

(*d*) *Alternative to assignment recording fee of $20 per item.*—Recording fee of $5 per item. (While this fee would raise only about $500,000 per year, as opposed to nearly $2 million predicted for the $20 fee of H.R. 8190, the income from the fee would cover the cost of the service, the asserted objective of H.R. 8190.)

(*e*) *Consolidated alternative.*—In addition to the above alternatives, each to individual objectionable features of H.R. 8190, the witness for himself only recommends consideration of the following as a schedule of fees which would raise as much gross revenue as H.R. 8190 for at least the next 20 years, and about $2 million more yearly income immediately than would H.R. 8190, yet would avoid all of the above objectionable features of that bill:

(1) Patent filing (original and reissue): $95 plus $2 for each claim over 10, plus $5 for each independent claim over 5;

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[5] H.R. 8420 would provide about $15,700,000 per year, as compared with about $17,600,000 immediately for H.R. 8190, and an estimated $2,900,000 yearly after the 13th year. This contrasts with the approximately $7,700,000 yearly income under the present fee schedule.

[6] The basic filing fee of H.R. 8190 is $50 and the basic issue fee $75.

[7] It is noteworthy that the Chamber of Commerce of the United States, whose statement regarding the revenue objectives of H.R. 8190 was quoted in H. Rept. 949, has recently adopted a position opposing maintenance fees and favoring the raising of the necessary revenue by increases in filing, issue, and other fees.

(2) Patent issue (original and reissue): $130 plus $2 for each claim over 10 plus $5 for each independent claim over 5;

(3) Design filing, $40;

(4) Patent Appeal: $25 plus either $25 or $75 at time of filing brief, with larger amount paid if oral hearing is requested; and

(5) Recording patent and trademark assignments: $10 each item.

(All other items to be the same as in H.R. 8190, except that maintenance fees be eliminated.)

[H.R. 8420, 88th Cong., 1st sess.]

A BILL To fix certain fees payable to the Commissioner of Patents, and for other purposes

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That (a) the items numbered 1, 2, 3, 4, 6, 8, and 9 in subsection (a) of section 41, title 35, United States Code, are respectively amended to read as follows:

"1. On filing each application for an original patent, except in design cases, $75; in addition, on filing or on presentation at any other time, $5 for each claim in independent form which is in excess of five such claims, and $2 for each claim (whether independent or dependent) which is in excess of ten. No application shall be denied a filing date and no amendment shall be denied entry solely due to a mistaken in calculation of a fee, if such mistake is rectified within thirty days of notice thereof by the Commissioner of Patents.

"2. On issuing each original or reissue patent, except in design cases, $100; in addition, $5 for each claim in independent form which is in excess of five such claims, and $2 for each claim (whether independent or dependent) which is in excess of ten. No application shall be held to have become abandoned solely because of a mistake in calculating the issue fee, if such mistake is rectified within thirty days of notice thereof by the Commissioner of Patents, but no application shall be issued as a patent until the issue fee is paid in full.

"3. In design cases:

"(A) on filing each design application, $40.

"(B) on issuing each design patent: for three years and six months, $10; for seven years, $15; and for fourteen years, $25.

"4. On filing each application for the reissue of a patent, $100; in addition, on filing or on presentation at any other time, $5 for each new claim in independent form which is in excess of five such claims, and $2 for each new claim (whether independent or dependent) which is in excess of ten such claims. No application shall be denied a filing date and no amendment shall be denied entry solely because of a mistake in calculation of a fee, if such mistake is rectified within thirty days of notice thereof by the Commissioner of Patents."

"6. On an appeal for the first time from the Examiner to the Board of Appeals, $25; in addition, on filing a brief in support of the appeal, $25 if the appeal is submitted on brief and $75 if an oral hearing is requested, but the additional fee shall be refunded if the Commissioner shall terminate the appeal proceeding prior to decision by the Board of Appeals."

"8. For certificate under section 255 or under section 256 of this title, $15.

"9. As available and if in print: for uncertified printed copies of specifications and drawings of patents (except design patents), 25 cents per copy; for design patents, 10 cents per copy; the Commissioner may establish a charge not to exceed $1 per copy for patents in excess of twenty-five pages of drawings and specifications and for plant patents printed in color; special rate for libraries specified in section 13 of this title, $50 for patents issued in one year."

(b) Such section is further amended by adding the following subsection:

"(c) The fees prescribed by or under this section shall apply to any other Government department or agency, or officer thereof, except that the Commissioner may waive the payment of any fee for services or materials in cases of occasional or incidental requests by a Government department or agency, or officer thereof."

SEC. 2. Section 31 of the Act of July 5, 1946, entitled "An Act to provide for the registration and protection of trade-marks used in commerce, to carry out the provisions of certain international conventions, and for other purposes" (15 U.S.C. 1113) is amended to read as follows:

"(a) The following fees shall be paid to the Commissioner of Patents under this Act:

"1. On filing each original application for registration of a mark in each class, $35.

"2. On filing each application for renewal in each class, $25; and on filing each application for renewal in each class after expiration of the registration, an additional fee of $5.

"3. On filing an affidavit under section 8(a) or section 8(b), $10.

"4. On filing each petition for the revival of an abandoned application, $10.

"5. On filing notice of opposition or application for cancellation, $25.

"6. On appeal from an examiner in charge of the registration of marks to the Trademark Trial and Appeal Board, $25.

"7. For issuance of a new certificate of registration following change of ownership of a mark or correction of a registrant's mistake, $10.

"8. For certificate of correction of registrant's mistake or amendment after registration, $10.

"9. For certifying in any case, $1.

"10. For filing each disclaimer after registration, $10.

"11. For printed copy of registered mark, 10 cents.

"12. For recording each assignment or other paper not exceeding six pages, $3; for each additional two pages or less, $1; for each additional reigstration or application included, or involved in one writing where more than one is so included or involved, additional, 50 cents.

"13. On filing notice of claim of benefits of this Act for a mark to be published under section 12(c) hereof, $10.

"(b) The Commissioner may establish charges for copies of records, publications, or services furnished by the Patent Office, not specified above.

"(c) The Commissioner may refund any sum paid by mistake or in excess."

SEC. 3. (a) Section 266 of title 35, United States Code, is repealed.

(b) The chapter analysis of chapter 27 of title 35, United States Code, is amended by striking out the following item:

"266. Issue of patents without fees to Government employees."

SEC. 4. Section 112 of title 35, United States Code, is amended by adding to the second paragaph thereof the following sentence: "A claim may be written in independent or dependent form, and if in dependent form, it shall be construed to include all the limitations of the claim incorporated by reference into the dependent claim."

SEC. 5. (a) Except as provided in the succeeding subsections of this section, the amendments and repeal made by this Act shall take effect three months after the date of enactment.

(b) The amendments to items 1, 3, and 4 of section 41(a) of title 35 of the United States Code shall not apply in further proceedings in applications filed prior to the effective date of such amendments.

(c) The amendment to item 2 of such section shall not apply in cases in which the notice of allowance of the application was sent, or in which a patent was issued, prior to the effective date of such amendment.

(d) The fee prescribed in paragaph 13 of section 31(a) of the Act of July 5, 1946 (15 U.S.C. 1113), as amended by this Act shall apply only in the case of registrations issued and registrations published under the provisions of section 12(c) of that Act (15 U.S.C. 1062(c)) on or after the effective date of such amendment.

Mr. McKIE. Thank you very much. I will try to be as brief as possible. I am Edward F. McKie, Jr., an attorney in private practice in Washington, D.C., specializing in patents and trademarks. I appear here on behalf of the American Patent Law Association, which is an organization of some 2,500 lawyers throughout the country who specialize in the field of patents and trademarks.

That organization appeared here a year and a half ago at the time of the hearings on S. 2225. I do not desire to repeat my testimony which was given at that time on behalf of the association. As you have indicated, Senator, that will be at least an appendix to the present record.

Senator McCLELLAN. Yes. That I thought not necessary to repeat, but just to make it available for reference, and then insofar as it is applicable it will be considered.

Mr. McKie. I would like to make one statement with respect to generally what I said before, and that was that the association as a whole does not believe that fees need to be raised to the level which is indicated by this bill.

We take particular quarrel with some of the statements that were made by the Bureau of the Budget in arriving at this figure of 75 percent, or now as they say 66 percent or whatever figure you select.

Senator McClellan. You are talking about the House bill now?

Mr. McKie. Yes, sir.

Mr. Dinkins. You said this bill. We have two bills.

Mr. McKie. I beg your pardon, that is correct.

Senator McClellan. You mean the House bill?

Mr. McKie. Yes. The previous hearings on S. 2225 contain at page 20 a quotation from the determination by the Bureau of the Budget. I would like to read one portion of that and to criticize it. It states:

> For example, a special benefit will be considered to accrue and a charge should be imposed when a Government rendered service (*a*) enables the beneficiary to obtain more immediate and substantial gains sometimes measurable in monetary terms than those which accrue to the general public, e.g., granting a patent.

I think the gentlemen who preceded me indicated that the grant of a patent is not an immediate benefit. It gives a patentee nothing that he did not have before, except the right to exclude someone.

I will not dwell further on this point except to say that we suggested in view of the circumstances, that a more reasonable split between the public and the patentee in the costs was of the order of 50–50, and that a $50 filing fee and a $75 issue fee would accomplish this.

At the time of the past hearing, this was our statement. The subcommittee at that time, and I believe the full Judiciary Committee, did not agree with us. Now our function at this time will be to explain alternatives to the present bill.

We think that the Congress has indicated an inclination to go to the levels of the Willis bill, and we will now tell you what features of that bill we particularly object to, and also suggest alternatives to those features. This generally is the scheme of things as I go forward with my testimony and as the statement will indicate.

We sent around a questionnaire to our entire membership, which as I stated is around 2,500. That questionnaire was responded to by 1,196 people, all of whom are patent attorneys, all of whom are the people who pay these fees on behalf of clients.

Those patent attorneys objected very strongly to a number of features of the Willis bill, and particularly to the maintenance fee provision. The figures are interesting to me because of their magnitude. Perhaps this statement will be of some help:

> Do you object to maintenance fees as set forth in the above bill?

The answer was "Yes," 948; "No," 157. It is about 7 or 8 to 1.

> Do you object to them under any circumstances?

"Yes," 659; "No," 362.

> Do you object to them even though you have to raise the filing and final fees higher in order to make up for it?

Yes. And the figure is not completely clear at this point. It says at $300 per patent, which is the present bill's figures, "Yes," 732; "No,"

202, and at some lesser sum, that is some lesser amount of maintenance fees, "Yes," 548; "No," 362. So we strongly oppose maintenance fees.

I would like to give you some of the reasons why I think that the American Patent Law Association opposes the system of maintenance fees. Perhaps I can cast a little light upon some issues here that have not been brought forth before.

It has been said that an incidental benefit will be of benefit to industry in simplifying infringement searches, the right to use searches. But where is industry to tell us that?

The National Association of Manufacturers has testified against maintenance fees. The chamber of commerce has indicated its opposition to maintenance fees. The bar associations appear to be all opposed to maintenance fees. We all represent industry.

I have made infringement searches for a number of years, 15 years in all in this city.

I know that it is going to be a very difficult thing for the Patent Office to get their records set up so that the maintenance fee system can be an aid in infringement searching. It is going to be expensive. The procedures necessary are not reflected by the testimony which is so far of record.

For instance, are they going to stamp every Patent Office copy of a patent lapsed if in fact it is lapsed? That is going to be an expensive thing, if they do. Are they going to stamp just the number of copies that are on file in the search room down in the Patent Office, which are perhaps 5 copies or more per patent, and 40,000 or 50,000 copies per year?

This would be a difficult thing to do. It would be very difficult to do accurately. Would the infringement searcher be able to depend upon it having been done accurately? The searchers know that these people down there very frequently misclassify patents. They put them in the wrong shoe, as we call them. If they are not in the right shoe, you never find them.

We think that based on that experience, it is quite likely that they will stamp the wrong patent lapsed or not stamp the right patent lapsed when it should be indicated as lapsed. So we won't depend on that.

It will not shorten our search for that reason. It is quite possible then that we will have to go to the master file. Well, will the master file be accurate? We can't really know. There is so much human error involved.

Senator McCLELLAN. Let me ask you something. Why is there justification to assume that the keeping of this record is going to be inaccurate? Is that premised upon the inaccuracy and inefficiency of the Office as of the present?

Mr. McKIE. It is premised upon the fallibility of man, sir, that is all.

Senator McCLELLAN. Sir?

Mr. McKIE. It is just premised upon the fallibility of man.

Senator McCLELLAN. There is always some error. We all make errors, but I wouldn't think you would want to imply that there is great inefficiency in the Office as it is now operated, with its voluminous records, the records it must keep.

Mr. McKie. No more so than in any other place, Senator. My indication only was that errors do occur. They occur in private industry.

Senator McClellan. They do occur, and even now in searching for patents that might infringe, and to determine whether an invention is patentable, some errors do occur, do they not?

Mr. McKie. Absolutely.

Senator McClellan. I don't imagine you can always completely eliminate the possibility of error.

Mr. McKie. No.

Senator McClellan. Would that be any reason to expect any more error in this particular function than you may find in other functions of the Office up to now?

Mr. McKie. Perhaps not, Senator, but you would at least have one more area in which error could occur.

Senator McClellan. You would have one more possibility of error.

Mr. McKie. That is right, and the significance of this error is tremendous, because if a patent were discarded as not being significant because it was lapsed in an infringement investigation, it is quite possible that a client might invest $1 million in a new plant, and this has happened in the past, by reason of not knowing of this patent, and then have to abandon this plant or to sell it at a sacrifice or take some other financial loss by reason of this mistake.

The point that I make is that it is going to be very difficult and expensive to make absolutely certain that these records are kept properly. This is a Patent Office expense. We on the outside are going to know that there is a chance of error here, and we are going to have to double-check. We might have to go back to the original records.

Senator McClellan. In representing a client you may have to charge him a little more.

Mr. McKie. I may indeed, so I don't think it is going to be of help to that client is the point I am trying to make, Senator. I won't belabor the point further.

With respect to the primary purpose of the maintenance fee system, however, it is admittedly revenue.

Senator McClellan. Revenue?

Mr. McKie. Revenue. It is put in the bill only to raise money.

Senator McClellan. Let me ask you this now. Is it any more revenue than is the final issuing fee? I mean how do you differentiate? In order to get revenues you have to bear the cost. How do you differentiate in any way as between a maintenance fee to keep a patent let's say, and the processing of an application to bring a patent into life? They both produce revenues to help bear the cost. Now where is the difference, except one is for a service to keep the benefits previously granted, and the other is to obtain benefits in the first place.

Mr. McKie. I was not attempting to distinguish in that direction, sir. The primary purpose is revenue.

What I was indicating is that the only purposes for which the maintenance fee system have been placed in the Willis bill, at least so far as the proponents tell us are, one, revenue and, two, the benefit to the public in causing unused patents to lapse, or the elimination of deadwood.

Senator McCLELLAN. I would think the primary purpose is for revenue.

Mr. McKIE. Yes.

Senator McCLELLAN. That is what I thought it was for.

Mr. McKIE. Yes, that is right. That is what I think it is in there for. I tried to indicate that the secondary purpose which has been referred to as not a real benefit, is perhaps going to cost us more to make an infringement investigation than it would have before.

As a matter of fact, it might also encourage copying as distinguished from innovation, because in an infringement investigation, if we come up with a patent which appears to us to be infringed by this new product, the manufacturer who is interested in going into this new product will have a choice.

His choice will be to copy that and run the risk of infringement under the present system, or if it is lapsed, he can copy it freely, or he can design around that system. Well, it is obvious what he would do if it is lapsed. There is no reason to go into an expensive research program if he can just copy something that is already there.

Senator McCLELLAN. How would he be able to claim that he was the inventor if he copied something that is already there?

Mr. McKIE. I am not concerned in this particular area of the statement, sir, about an inventor claiming that he is an inventor. I am talking about a manufacturer who is thinking of coming up with a new product, putting a new product on the market, new to him at least, introducing a new type of ash tray or whatever you can think of, a mousetrap from North Dakota, as the Senator indicated earlier.

Should he go into this market or not is the question that he asks the people that make infringement searches. They answer him by saying, "Well, here is this patent outstanding that covers this general type of product." Now he is immediately faced with a question, "Should I attempt to get rights under that patent? Should I infringe that patent or should I design a new product which is like this and will fill the same needs but which is different?"

My point is that it is better to force the manufacturer around the other way, to design around, as we say, to design around the existing patent. But if that patent has lapsed for nonpayment of a maintenance fee, the public doesn't get the benefit of this added invention. A copy is more likely to occur.

As to the primary purpose, it is indicated in my prepared statement that the maintenance fee system does not save $300 as was perhaps indicated during the debate on the House floor. It saves at most around $30. In fact, Mr. Reynolds indicated in his testimony that a $35 increase in the filing fee would completely take care of elimination of the maintenance fee provision of this bill.

Senator McCLELLAN. I haven't checked. Let me ask you something. Have all the folks who have appeared here, most of them who appeared here in opposition of this bill, did they appear in the House before the House committee? I haven't asked the others that. Of course the record will reflect that. We have to check the record on that.

Mr. McKIE. It would. I am trying to remember, Senator. I have read all that testimony and I don't believe that they have.

Senator McCLELLAN. What did they do, wait until the House acted and then decide to make their case over here?

Mr. McKie. The American Patent Law Association did appear by another witness. The American Bar Association had no opportunity to appear because the hearing was scheduled quite quickly. It was announced very little in advance.

The first real effort to get a hearing was in this hearing before this subcommittee in the 87th Congress. Then I am afraid that we became alarmed when the House passed this bill and much more interest was expressed in some of the objections that we have to this bill and in bringing them to your attention.

The $35 figure is not one that I personally espouse, and the association does not espouse it. We would prefer, for instance, a $15 increase in the filing fee of the Willis bill, and a $15 increase in the issue fee. These two increases by themselves would add up to more money, about $2 million more per year, immediately than would be obtained by the Willis bill, and even after 20 years, they would still be earning more.

Senator McClellan. Let me see what increases you are talking about. Increase existing fees?

Mr. McKie. Increase the Willis bill fees. That is $50——

Senator McClellan. The Willis bill provides what, $75?

Mr. Dinkins. Fifty and seventy-five.

Senator McClellan. You would increase the filing fee to just $65 and the issuing fee to $90?

Mr.McKie. That is right.

Senator McClellan. That is what you are saying?

Mr. McKie. Yes. That type of increase would provide more revenue immediately than would the Willis bill and for the next 20 years.

Senator McClellan. How do you reconcile that increase with the statements that have been made here? Well, if you increase the initial filing fee very much, why——

Mr. McKie. You discourage filing or discourage invention?

Senator McClellan. Discourage invention.

Mr. McKie. I don't think that this is a major deterrent. The amount of the fee today and the amount of the increase to $65 would do no more than to account for the difference in the standard of living between 1932 and today.

Senator McClellan. That is one thing that has been occurring to me all the way through here. If the fees that were set back in 1932, was it, or 32 years ago——

Mr. McKie. 1932.

Senator McClellan. That were set back in 1932, if they were reasonably equitable then, a doubling of the fees now would not be excessive.

Mr. McKie. That is right, Senator. I don't think just a mere doubling reflects the change in the standard of living as a matter of fact, but certainly a raise to $65 would not be a material change.

Now if there was a deterrent in 1932, I don't think the deterrent would be increased any more today than it was at that time. Moreover, the most important fee here, as has been indicated by other witnesses, is the attorney's fee. It costs these applicants a great sum of money in order to pay for getting a patent, and they don't just pay the Patent Office and they don't really care where the money is going.

Senator McClellan. This is of interest to know if the fees are in-

creased, the filing fee and the issuing fee and the other little costs in between, if that is increased is that going to give the lawyers an excuse to raise their fees proportionately?

Mr. McKie. I would not think so, Senator. I would like to think it would, but I think we all charge what we think our services are worth under all of the circumstances, including our education and experience.

Senator McClellan. And sometimes what the man's ability is to pay?

Mr. McKie. Yes, that is right.

Senator McClellan. I have found that practiced in law. You don't always get what your services are worth or what you think they are worth.

Mr. McKie. Indeed. But at any rate any patent practitioner I have ever talked to charges a fee for preparing an application, even the simplest application, which is much higher than the cost of the filing fee now or as it would be amended by any of these bills.

Of course when you get into the question of dependent claims and independent claims, you can get to a figure which would be as much as the attorney's fee presently, or perhaps more.

But this is the, I think, unusual case. My point, however, is that a $15 increase in the filing fee is not really going to make any difference to the man.

Senator McClellan. That would be actually a $30 increase.

Mr. McKie. I mean in the filing fee.

Senator McClellan. That would be $35 actually.

Mr. McKie. In the present.

Senator McClellan. Instead of $15. You are talking about the $15 increase over the House bill.

Mr. McKie. The Willis bill, that is right, sir. I am trying to furnish the committee with an alternative to the maintenance fee provision of the Willis bill, assuming that everything else was left as it is.

And this is the alternative. Also you could increase the final fee by $15. By the time the final fee payment arrives, the attorney's fees are mostly paid for, at least they have been charged. The man knows he is going to get a patent. He has a chance then of exploiting the patent for whatever the chance is worth. A $15 increase over the Willis bill, scheduled at that time, is not a material determination in my view.

Senator McClellan. That is the psychological time when he is most optimistic.

Mr. McKie. I think so, Senator, unless he has had a great deal of experience in attempting to exploit his invention and is ready to give up, in which case he won't pay the final fee any way, so it won't cost him anything.

One of the strong objections that I have to the maintenance fee system is that it seems to me to favor worthless patents, because the presumption is that 50 percent of all patents will be abandoned within 5 years. For what reason? Because they are worthless, because they have never gone into use.

Well, why should we charge the person who discloses something that was valuable more in order to favor or discriminate in favor of the person who disclosed something that was valueless?

Moreover, it has been said, in fact it was pointedly said in the debate on the House floor, that the only persons that object to maintenance fees are a few bar associations and the major corporations. Actually the major corporations are the ones who stand to gain the most from the maintenance fee system.

For instance, in 1955, according to a study which I believe is No. 3 of this subcommittee, a study which concerned itself with the number of patents granted to corporations as distinguished from individuals, in 1955 one corporation got 472 patents. Assuming it saved $30 under a maintenance fee system, by having a maintenance fee system rather than having increased filing and final fees, that corporation's saving would be very substantial.

But think of the thousands of corporations who only got one patent a piece in that year. I believe there were 2,693. They saved $30. The favor there is to the major corporation.

Moreover the major corporation uses defensive patents much more often than does a small corporation or an individual, and we come here to a difference in my meaning of the term "defensive patent" from what was indicated yesterday in testimony by Dr. DeLio.

The term defensive patents to me means a patent which is not to be used to foreclose anybody from producing a product. It is only to be used to foreclose somebody from getting a patent that will stop me from producing that product.

In other words, in the illustration that the chairman gave yesterday, you came up with a new product, you put that product on the market, you had a patent. In the meantime you came up with an idea for a second product which would perform the same function. This is an alternative.

Now why do you get the patent on the second product? You can get it for one of two reasons. One, because you want to stop a competitor from producing that product. That is an offensive reason for getting a patent, to me.

The second reason is that you want to protect yourself so as to make sure that nobody forecloses you from producing that product. That is a defensive reason. That is why I call that a defensive patent.

Now the major corporations get defensive patents to a considerable extent, at least it is so believed. If they do, and I think this is probably the case, what will they do with those patents? Well, they don't get them to use them to exclude anyone. They get them only for their disclosure purposes so that the patents will be in effect abandoned once they are issued, at least when the first maintenance fee is paid or should be paid.

It will not be paid, but the patent will be permitted to be lapsed. In other words, this system will favor that type of arrangement. That is my point.

A comparison was made between foreign countries and the United States. I don't want to belabor this point, but I do want to point out some differences.

This is like comparing apples and pears. It is like comparing, as happened yesterday in testimony here, the number of claims filed with an application, with the number of claims issued with a patent. They are just not the same thing.

The German patent system, for instance, is very materially different from our own. For instance, they have something called a patent of addition, which is an addition to a main patent, an improvement. There are no maintenance fees or annual fees paid on that.

They have compensation of indigent inventors for expenses that they might suffer in the Patent Office. Maybe this explains why so many people file. They pay the attorney's fees in litigation to some extent. They tax it as a cost. They have a provision for criminal prosecution of an infringer.

It just happened that yesterday I had a conference scheduled with the head of the patent department of a major German company. I asked him what his feeling was about the maintenance system that they have, as distinguished from our own system, with no maintenance fees. He said:

> I much prefer the American system.
>
> Why?
>
> The reason is that we make mistakes. We decide not to keep a patent in effect and then 2 years later we find we should have.

This is in the case of a major company.

I think that the maintenance fee system would really drastically revamp and materially weaken this system of ours today. Now there are some other objections that we have to this. I will not deal with them in detail because they are dealt with in the statement.

Senator McCLELLAN. If you wish you might submit a brief statement covering them.

Mr. McKIE. I think that is all I need to say at this time, Senator. Thank you.

Senator McCLELLAN. Thank you very much.

(The statement referred to follows:)

MARCH 13, 1964.

Re H.R. 8190 (Willis).

Hon. JOHN W. McCLELLAN,
U.S. Senate,
Washington, D.C.

DEAR SENATOR McCLELLAN: This is in response to your kind offer to extend my testimony in the hearing on the above bill, particularly in view of the shortness of time available for that testimony and the number of witnesses remaining to be heard.

By reason of that shortness of time my testimony was restricted to the maintenance fees in the bill. However, it should be understood that the American Patent Law Association does object very strongly to other features of the bill, including the extreme economic pressure toward the use of dependent claims provided by the $10 fee for each independent claim in the application in excess of one. As was pointed out by other witnesses the reason why attorneys are not willing to rely only on one independent claim has nothing to do with the prosecution of claims in the Patent Office, but rather is founded upon the psychological impact of dependent claims on a judge, in the event that the corresponding independent claim is invalid. There is of course considerable doubt that any legislation could resolve this psychological problem, but the suggestion which Mr. Schuyler has made for an express presumption of validity for dependent claims would probably do as much as any legislation could in this area. Of course it should be understood that the last statement is the opinion only of this witness and not of the American Patent Law Association, which has not considered Mr. Schuyler's proposal in detail.

It should be understood that attorneys are most interested in simplification of the examining activity of the Patent Office and that dependent claims are very frequently used for this purpose. In fact, dependent claims are helpful to the attorney in the prosecution of applications. Nevertheless their use must be tempered by the wisdom born of experience in the courts with both independent

and dependent claims, an experience which Patent Office personnel obviously do not have. As my prepared statement indicates, APLA would suggest that the limitation on the number of independent claims permitted without increase in fee be increased to five. Such number should permit the attorney to protect the inventor against any psychological reaction affecting dependent claims, but the limitation would also encourage the use of such claims in order to simplify the examination of patent applications.

I will rely upon my prepared statement with respect to the other objectionable features of the Willis bill, with the exception of the following remarks affecting the extremely high assignment fee. It apparently has been assumed that the mere fact that an assignment has been made indicates that the invention has a value higher than if no assignment was made at all. This is necessarily in error, since 70 to 80 percent of all patents are isssued to corporations (which means that 70 to 80 percent of all patents are assigned), and the Commissioner's presentation indicates that 50 percent of all patents will be lapsed at the end of 5 years because they are so worthless as not to justify payment of the first maintenance fee. Since the individual who has not assigned his patent does not have to pay that fee but can postpone it in the event it is worthless, this entire 50 percent must be taken from the assigned patents. In other words, more than 50 percent of assigned patents must be worthless (by the Commissioner's assumption) so that the mere fact of assignment cannot indicate value.

The American Patent Law Association appreciates very much the opportunity to appear and testify in this hearing and the consideration that has been given it by the committee and the staff.

Very truly yours,

EDWARD F. MCKIE, Jr.

Senator MCCLELLAN. The Chair observes the time. I am going to quit, I must quit not later than 5 o'clock. I notice we have seven other prospective witnesses listed here. So far as I know they are all here. I am going to suggest that you try, each of you, to cover your testimony in 15 minutes' time, and if you hit the highlights, and if you have anything else you wish to add, you will be accorded the privilege of adding an additional statement which will follow in the permanent record right after your testimony.

I want you to have your say, and we want to hear from you, but we are under a handicap of a legislative situation that will not permit us, I am sorry to say, to hold another day of hearings next week, and this is the best I can do.

All right; the next witness is Mr. Marks. Come around, Mr. Marks. I don't want to make a hard-and-fast rule, but let's try to finish within 15 minutes' time, and if you lack some point you haven't covered, you will be permitted, if you desire, to place something in the record. Go right ahead, Mr. Marks.

STATEMENT OF ALVIN N. MARKS, PRESIDENT, MARKS POLARIZED CORP.

Mr. MARKS. Thank you, Mr. Chairman.

Senator MCCLELLAN. You have a prepared statement.

Mr. MARKS. Yes, I do, sir.

Senator MCCLELLAN. We will place it in the record at this point, and you may highlight it.

(The statement referred to follows:)

STATEMENT BY ALVIN M. MARKS, MARKS POLARIZED CORP., WHITESTONE, N.Y., IN OPPOSITION TO PATENT OFFICE FEE BILL (H.R. 8190)

The Constitution of the United States provides for the promotion of science and the useful arts through the granting of protection of creative ideas to creators, whereby it is supposed that incentive will be provided to bring forth these

creations, and the creators will be rewarded for their contributions to society. The Patent Office was established to further this purpose.

I will confine my remarks to science and invention since I am most familiar with this field.

Up until about 1850 inventions were usually of a simple mechanical or chemical nature. It was possible for the inventor, often working in his own primitive shop or laboratory, to perfect his own invention and then arrange to market the invention with a reasonable certainty of reward through the protection granted. This might be referred to as the handicraft stage of invention.

With the increasing complexity of inventions in a modern technological age, this is no longer true.

We may divide patents into three basic classifications:

1. Basic science.
2. Applied science.
3. Ingenious articles or gadgets.

The steps by which invention is created and marketed are as follows:

A creative inventor, steeped in the know-how of one of more fields, and intimately knowing its problems, conceives an answer to these probelms, or finds an entirely new phenomena which may give rise to a new industry. This is an act of creation which cannot be described as purely scientific or inventive but in fact is more closely akin to that of artistic endeavor. The classic case of an artist inventor is that of Leonardo di Vinci who was one of the greatest artists of all time and yet invented the submarine, the helicopter, etc., far in advance of his time.

The more routine inventions, the slight inprovements, the gadgets, are often created by the inventors or scientists who may not belong in this classification. Most really great inventors do have a great artistic component upon which the creative act depends. There is a current belief that research teams create the modern technological invention and that the individual inventor is no longer important. This is a fallacy. Without the creative individual, the research team is impotent. Infact the research team exists only as a support for the creative inventor. The creative inventor in modern technical society could no more do without the research team than he could do without food and shelter; nevertheless there are adjuncts to his creative process.

I set forth these beliefs regarding the creative individual to show that the incentives are still required and should be directed toward that individual rather than diffused so widely that he does not directly benefit by these incentives. Modern practice has usually entirely subverted these ideals by submerging the creative individual within organizations that benefit by his creative process while they support him, and yet only indirectly advance the individual creator through relatively minor increases in salary or status.

The profession of creative science and invention should be raised to a level of reward, and a reasonable certainty of reward, equivalent to that possessed by other professions such as business, law, and medicine. An examination of the rewards in each field would show that on the average these professions are far more rewarding financially, and that reward is more certain and immediate.

It might be argued that the creative scientist and inventor is not interested in financial reward and this may be true as far as they individually are concerned, since the act of creation is highly rewarding in itself. However, these individuals exist in a society that rightly has a high regard for financial reward, and in fact has built a hierarchy of status thereon. These creators are members of this society, they have family responsibilities, and they should be entitled to exercise their talents with financial rewards sufficiently certain and immediate so that they and their families can assume their rightful place in a social milieu.

At present this cannot be accomplished by the individual inventor unless he joins an organization or creates one.

The steps by which the invention finally reaches the market are as follows:

A creative individual goes through an educational process and becomes aware of existing problems and needs. From his background of education and know-how, he conceives of a solution to an existing problem or devises an entirely new product or device and in some cases may actually create a previously nonexistent industry. Subsequent to this, the additional steps are—

1. Research and development.
2. Prototype.
3. Manufacture.
4. Marketing.

The pitfalls standing in the way of success are as follows:

1. Finances.
2. Time.
3. Possible infringement and litigation costs.
4. Possible loss of the patent by court invalidation.
5. Blocking patents.
6. Technical difficulties.
7. Inventions ahead of their time and patents running out just before or after commercial success.
8. Cost of preparing and filing patents.
9. Cost of prosecution of patents.
10. Filing fees.

It is now proposed to add to all these obstacles, additional taxes to obtain and maintain the patents. In many cases this may be the straw that breaks the camel's back.

With all these obstacles it is remarkable that any benefits are realized from patents. In fact, the public always benefits but in most cases the reward never reaches the inventor.

Let us take the case of a patent well in advance of its time. The inventor may create the concept, the patent may be issued, and years later the concept may prove to be of value and in fact may assist in the creation of an entirely new industry which pays substantial taxes. Thus society has a retroactive debt to the inventor which is never paid. In fact the invetnor may be dead by the time this stage is reached.

In other cases one or more of the above obstacles may operate to prevent the reward from reaching the inventor.

How are these obstacles overcome? In my own experience, they can only be overcome by a massive effort in which at least several fields are simultaneously cultivated and many inventions made which result in a great number of patents over a long span of years, perhaps 20 or 30, to build up a series of patent estates. To be able to do this, the inventer must turn enterpreneur. It is submitted that this procedure, although occasionally successful, is only rarely possible. In fact, it must be impractical for the great majority of creative individuals who, because of their personal circumstances, must of necessity become a member of a research team in order to survive economically.

Totally distinct from Patent Office, there has grown up in this country a huge research and development industry running to $15 billion a year, which could provide the answer to many of these problems and inequities which exist in the present patent law. These research grants to corporations and institutions usually cover all costs including patent costs. I should like to propose that the individual creator or inventor be made eligible for these grants in certain cases. Preexisting research and development organizations could act as subcontractors for the creative individual and actually carry through all of the steps above outlined to bring the concept to market.

To protect the inventor, I would suggest that something similar to the Scandinavian or German patent system be adopted. In this system it is impossible for a corporation or private entrepreneur or promoter to expropriate the inventor's concept by simple assignment. This system provides that licensing negotiations must be had with creative individuals so as to assure them of proper compensation.

The Patent Office should be supported with adequate funds out of the general tax revenue. Our entire civilization was built from inventions it helped bring forth, and the majority of our present tax revenues result from industries created by these inventions.

All fees should be abolished and there should be no taxes on the maintenance of patents. Such fees and taxes have a depressing or discouraging effect upon potential invention. In fact they tend to accomplish the very reverse of the constitutional intent.

To be sure these fees and taxes may be small on an individual patent. However, the above analysis shows that a great many patents are usually required to create a patent estate which is capable of reaping a return from royalties earned from licenses. Relatively small fees and taxes per patent can be quite burdensome where a group of patents are concerned.

The most successful way of overcoming the above obstacles is through the statistical method of obtaining many patents in several fields. Only a few of these patents or only one of these fields may actually be valuable. There is

usually no way of knowing in advance which these may be, so the need exists for pouring forth many creative ideas and obtaining many patents in a number of different fields to assure that at least some of them will prove to be commercially lucrative.

With even a relatively small fee and small maintenance taxes such patent estates may very well become too costly to maintain. Once these patent estates are abandoned, the financial incentive to continue through the steps of research and development through to marketing may be then lacking.

The operation of a research and development corporation solely for the sake of research and development, however interesting and exciting these developments might be, may not be economically feasible unless these developments can be protected by patents, and one or more patent estates created. When additional revenues from licensing royalties resulting from agreements with various manufacturing firms become available the research and development firm becomes a financially attractive operation.

The costs of running the Patent Office are relatively minor compared to the huge sums spent in other phases of Government. Yet the benefits produced by the operation of the Patent Office are so great that it should be supported out of the general tax revenues. No attempt should be made to render its operations self-sufficient. This would be just as ridiculous as operating public schools on a self-sufficient financial basis. The reason these institutions are and should be supported by the government, is that society derives a benefit from their operation.

The general tax revenue of the country which comes from its overall productivity, should cover these costs.

I would also suggest a procedure as follows:

It should be possible for an inventor to make a disclosure directly to the Patent Office, which would thereupon make an inital search. If the invention is believed new, it should be possible for the inventor to apply to a Federal organization which might be called the Patent Finance Authority for long-term loans or grants to pay for the cost of preparing and prosecuting a patent which will be subsequently filed by him after acceptance of the disclosure. The Patent Finance Authority should also be in a position to make grants to aid the inventor to carry his invention to the prototype stage. The grants would provide sufficient money for the inventor to provide him the equivalent of a salary during the time he is working on his invention. For the administration of these grants, the inventor could go to existing corporations or institutions which would become subcontractors under the development. A portion of the royalties which are eventually realized would repay the Patent Finance Authority. Actually the proportion repaid could be sufficient so that on a statistical basis the Patent Finance Authority would be self-liquidating.

The effect of these reforms would elevate scientific invention to a profession whose rewards would be at least as certain and equal or exceed those which are available in other professions.

We must revise our laws to make certain of this result, as only in this way can we carry out the intent of the Constitution.

The future of our society, and particularly in consideration of our competition with other social forms now existing throughout the world, may well depend upon our ability to lead technologically, and this depends upon the incentives we give to our creators.

A direct monetary award should attend the issuance of a patent and the amount of the award should depend upon whether it is a basic invention or an improvement, and upon some estimate as to its potential worth. The contract of grant to the inventor should pay for all costs up to the marketing of the invention. It should provide for fair business practices in setting forth standards and norms for commissions for the exploitation of patents and provide lists of qualified promoters, businessmen and organizations who are interested in working with them.

To avoid or minimize litigation, special precourt procedures with judges having both technological and legal knowledge, should be set up. A department to discourage and police infringements should be established.

I have set forth the above ideas which appear to me to be necessary. Personally I would now derive little or no benefit from these ideas although they would have been greatly helpful to me had they existed 20 or 30 years ago.

The present proposed law is inequitous because—

1. It taxes the creative individual or organization in proportion to his creativity, the more creative, the more patents, the more taxes.

2. It will discourage any patent which cannot be commercialized quickly. Those patents which may bring in commercial results years later or not at all would tend not to be filed or maintained.

3. It is double taxation. The creator or entrepreneur must pay a tax before the product is brought to market and then pay still another tax if profits ensue.

4. It will make it more costly to engage in the practice of dealing in patents. It will discourage the building of patent estates. With fewer patent estates there will be less royalties which are the sole or important support of many research and development firms and institutes.

5. It adds still another obstacle in the path of the promised reward to inventors and entrepreneurs.

6. It goes counter to the constitutional intent.

Mr. MARKS. Mr. Chairman, I happen to be one of these individuals, an inventor. I have been in the field since 1932.

Senator MCCLELLAN. You are an inventor?

Mr. MARKS. I am an inventor; yes.

Senator MCCLELLAN. Not a lawyer or manufacturer?

Mr. MARKS. No, sir; I am an individual inventor.

Senator MCCLELLAN. You are the original source of genius.

Mr. MARKS. Thank you. I must say that in order to become successful the fact of being an inventor apparently is not enough. It was necessary for me to found a corporation which is now a public corporation, and which has aided me in the inventive endeavors. I spend a good part of my time as a corporate president, but continue to do inventions.

Well, the reason I am here is because I have had a lot of experience and I thought I could be helpful in setting it forth to aid the committee in its considerations. Briefly my background is that of an electrical engineer. However, my interest was not in electrical engineering per se.

I quickly became interested in optics and was one of the original inventors of a polarize light used for diverse applications such as polarized ceiling lighting, polarized eyeglasses, scientific instruments, et cetera.

In addition to that, my interest extended to the generation of electrical power from heat, 3–D radar, glasses that turn from transparent dark when exposed to light, and many other devices which are of a basic scientific nature which differ from the ordinary handicraft type of invention which has been discussed so much today.

Now most of these inventions are of such a nature that from the time of concept to the time of commercialization 20 or 30 years go by. So for that reason I am very lucky that I started young. I started back in 1933.

In that time I have acquired 38 U.S. patents on these inventions and with patents applied for and being filed, will have a total of approximately 100, if they all issue. In addition to that I have about 100 foreign patents and applications.

The approximately 100 foreign patent applications mostly consist of duplicates of my U.S. patents and applications for patents. In fact they consist of only a very few of my U.S. inventions.

The maintenance fees on foreign patents are so burdensome that we have had to very carefully select those patents which we felt were

reasonable certain of a return. So therefore I feel that this is a case in point.

Maintenance fees definitely do discourage the filing and continuation of patents. I would say that perhaps only 10 percent of our U.S. patents are filed abroad, but they are filed in multiple, so that while we have 100 patents abroad, it corresponds, let us say, to only 5 U.S. patents.

Now getting back to the process of invention, I feel that an individual inventor with a single idea is in a sense taking a sweepstake ticket when he files for a patent on his invention. He could possibly better go into the gambling business. It would probably be more profitable and would involve a good deal less pain.

In my case, to be successful I had to adopt a statistical approach. I found it necessary to file groups of patents. I simultaneously pursued many different fields of invention. As improvements came along, new concepts, new inventions, I applied for more patents.

Very often certain of the patents in these fields are not effective to produce income, but out of the group, if the field is an important one, you are reasonably certain of obtaining a patent of commercial value.

Now this approach calls for a different type of inventor than the isolated occasional part-time inventor. It involves the understanding of and use of the basic sciences and a lifetime of dedicated work with the finest laboratory, and capable technical and administrative support. I think this type of inventive endeavor is most necessary for this country today.

Our science and technology is becoming much more sophisticated. I know we all want to be fair to the individual one-shot inventor, and the law should be fair to him. But I think from the point of view of the greatest public benefit, it is extremely important that the field of scientific invention should become a professional activity, as law, medicine, or accounting have become professional activities.

This must call for a more immediate, a more certain reward than is possible or usual under the present system of patent laws.

Now the Patent Office was set up in accordance with the very wise provision in the Constitution which provides that the creator should be given a monopolistic grant so as to encourage incentive which was expected to provide a reward for his contribution.

Now it so happens that the more advanced the thinking, the more complex the invention, the longer it takes from the time of conception to the time of reward. And in many cases these patents go into the public domain, and the public benefits from them long after the inventor has lost his rights or he may even be dead by that time. Now under those circumstances I submit that the public owes a retroactive debt to the inventor which will never be paid under the present system.

A more sophisticated notion of what our science and technology requires should be developed. The individual inventor, if talented, should be able to devote himself to professional activities in the field of scientific invention and to make his continued endeavors possible his genius should be rewarded with reasonable immediacy and in proportion to his contribution.

In my own case this was only possible because I started young and I happened to have a family that was able to sustain me through many years, in part by providing a productive facility which grew

out of one of my early inventions. The simplest one was chosen, that of polarizing materials, and the others were developed as a byproduct of the profits or returns received therefrom.

Most individuals, lacking these fortunate circumstances may not be able to utilize their talents effectively.

I oppose both of the present bills in principle because, in effect, these bills would punish the creative individual in proportion to his creativity. The more creative the individual the more patents he creates, which eventually pass into the public domain. However, the costs mount more and more as his creative ability pours out. These costs eventually act to limit his ability to bring his inventions to the public. I don't think this is good. I think the public should have whatever this man can give, and should not discourage him in so giving. Fees and maintenance taxes constitute a tax blockade upon invention. The advance of industrial technology, which is at the core of our civilization, is thus impeded. I don't think that is what the sponsors of the bill really want. The idea of making the Patent Office self-sufficient is on the surface a good idea, but not at the expense of counteracting its whole purpose in being—incentive to bring forth inventions.

There should not be a money-lapse mechanism if a patent is not commercialized. There may be technological difficulties, or the invention may be ahead of its time. The inventor and his associates should not be barred from the possibility of enjoying the fruits of their efforts up to the very last moment of the 17 years.

However, the present Patent Office fees are not so high that they couldn't be considered trivial in comparison to the other costs which must be borne by the inventor in bringing his patent to issue. Attorneys here have given costs varying from $150 to $450 per patent. This may be true of the average simple or handicraft patent.

However, a complex technological patent, which is most likely to give the greatest benefit to the public in the long run, will probably cost very much more. In certain of my cases, attorneys' fees were as high as $7,000 for a single patent application. Moreover, the average patent I file costs about $1,500 simply because they are quite complex. Recently I filed a patent with 74 pages specification, 10 drawings, and 67 claims. Under those circumstances, the proposed fees based upon the filing costs would have have been astronomical, and we probably would have filed a more limited case. This would not be to the public benefit in the long run.

A corporation has a certain patent budget. The patent budget cannot usually be exceeded without seriously affecting other essential activities of the corporation. So therefore many of our invention disclosures are not filed with the Patent Office and hence are never brought into the public view. If the costs of filing a patent go up, with a given budget, fewer patents will be applied for. Thus, an individual or a corporation will not apply for many valuable inventions because of budgetary limitations. So therefore a selection is made. The inventions that we think are the best are chosen, usually ones that have the greatest possibility of immediate return. These may not always be the ones that are the best, but they are those which are the best in our judgment.

Therefore any considerable increase in fees would depress a certain proportion of the excellent patentable ideas which we might feed into the patent system. I think this might be generally true throughout the country. I think in this respect the public would be losing a great deal.

The inventor in many cases never gets rewarded for his patent at all. In some cases he does get a reward but it is usually a minute reward compared with his constribution to the public and often comes when his patent is almost expired. I think we must all realize that we in this civilization today owe a great debt to the great inventors of the past as well as other great people associated with them. The electric light, the telephone, the transistors and everything else that provides the technological basis of the present civilization is a continuing accumulation for which we pay nothing.

We hope that during the life of the patents which brought these inventions forth that a just compensation was paid to the inventor. But this is not always true. In the great majority of cases there is a retroactive debt to the past which has not or cannot new be paid.

Now one way in which we can at least minimize this debt in the future is to see that an excessive burden is not placed upon the creators. They should be rewarded instead of punished in proportion to their creativity. This is all I have to say.

Senator McClellan. Thank you very much, sir. I hope you have continued success.

Mr. Marks. Thank you.

Senator McClellan. We can certainly use more patents, more inventions. It contributes greatly to modern civilization, to our way of life.

I don't want to do anything, and I am sure no other Senator wants to do anything that would really discourage the latent genius that may be among our people, those who have the inspiration to try to invent something should be encouraged and not discouraged.

Mr. Marks. Senator, I would like to say one other thing. That is I believe, in consonance with my previous remarks, that the revenues of the Patent Office should be sufficient to cover all their operations, but they should come out of the Public Treasury because it is the public that benefits, and to a very minor extent the inventor.

Senator McClellan. Thank you very much.

(The following was subsequently received and made a part of the record at this point by order of the chairman:)

ATTACHMENT B

I suggest that the committee undertake to formulate new laws and regulations adapted to improve and reform the patent system and its interaction with a modern economy so as to enable the profession of scientific invention to be practiced by talented individuals with the dignity and independence and financial return granted to other professions such as medicine, law, accounting, etc. This requires a reasonably immediate and certain financial return to the inventor which I have pointed out rarely occurs under the present laws.

In this connection, I have made certain suggestions in my written and oral statements. Amongst these suggestions are:

(1) The elimination of all but perhaps the present minor fees;

(2) Adequate support for the Patent Office directly from the Public Treasury; and

(3) Contract grants directly to inventors with meritorious and needed inventions. These grants should be on a basis similar to contract grants which

are presently made for proposals submitted to various agencies of the U.S. Government by various research and development corporations, which have resulted in a $15-million industry. Such direct contract grants would greatly increase the efficiency with which this national R. & D. effort operates, and by improving the level of creativity by a more direct and certain financial incentive would give the public more for its dollar. Scientific inventors would benefit directly financially instead of incidentally, by downward diffusion resulting in minor financial and status benefits which occur at present.

I would be very happy to assist in development of such a program as I believe it would be of great benefit to the country. It will enable us to continue to advance technologically and keep us far ahead of other countries who are competing with us for technological mastery. This would involve no basic change in our present institutions but would need a reorganization of our thinking as to how these institutions would interact with each other and the individual inventors to achieve the desired end.

New laws and directives would have to be formulated to make this possible.

(4) The best attributes of the German or Scandinavian patent laws shall be utilized so as to provide that an inventor simply might not assign his invention without due negotiations for fair remuneration. The provisions of these laws should be adapted to the conditions suitable for the U.S. economy. This would eliminate many present practices which amount to exporpriation of the inventor's intellectual property which in my view act to depress inventive activity in this country.

Senator McClellan. We are rearranging our order here to accommodate someone who wants to get away. Mr. John T. Love, you are the one who had an appointment. Your plane leaves pretty soon, is that it?

STATEMENT OF JOHN T. LOVE, PATENT ATTORNEY, CHICAGO, ILL.

Mr. John Love. I would like if possible to catch a 5 o'clock plane.

Senator McClellan. All right.

Mr. John Love. I think I was scheduled at this time anyway, Senator.

Senator McClellan. All right, Mr. Love, your prepared statement will be printed in the record.

(The statement referred to follows:)

Statement Relative to H.R. 8190

My name is John T. Love. I am a lawyer admitted to practice in the State of Illinois since 1943, and I am a member of the firm of Grandolph, Love & Rogers. This firm specializes in the practice of patent, trademark, copyright, unfair competition, and related fields of law. I am recognized to represent patent applicants before the U.S. Patent Office, and regularly appear in that capacity.

I am a past chairman of the Section on Patent, Trademark, and Copyright Law of the American Bar Association, a former member of the council of that section, a former member of the Board of Managers of the American Patent Law Association, and for 2 years I was chairman of the Patent, Trademark, and Trade Practices Committee of the Chicago Bar Association.

My practice is confined very largely to small corporations, and in fact I represent no corporation whose gross income is over $50 million per year. I also represent individual inventors, some of whom are professional engineers. All are vitally interested in the fee bill.

My position on the fee bill, and one with which I think the large majority of my clients agree, is quite different from the positions which have been advanced by the opponents to the various proposals submitted by the Patent Office and embodied in legislation, particularly the legislation which was approved by the House of Representatives on January 22, 1964, in H.R. 8190.

My study on fees has continued for a period of at least 10 years, and began at the time of the debate on the subject by the members of the Patent, Trademark, and Copyright Law Section of the American Bar Association at the annual meeting in Chicago, 1954, when then Commissioner Robert C. Watson proposed

that Patent Office fees would have to be raised appreciably in order to justify increased appropriations to operate the Patent Office.

My position was then, as it is now, that the patent system should absorb a reasonable increase in fees. Of course, what was a reasonable increase in 1954 might not be considered to be a reasonable increase today. And what we consider to be a reasonable increase today might have been wholly outlandish in 1954.

The problem, as I envision it, is compounded by the fact that for decades, and as I understand it up until about 1939, the fees collected by the Patent Office for the services which it rendered were approximately equal to the costs of operating the Patent Office. There probably were some years when the fees collected were higher than the cost of operation, and in other years when the costs of the Patent Office were higher than the fees collected. But in any event, the disparity was never very great.

According to figures which I have seen, as presented to this committee and to the corresponding committee in the House of Representatives, the disparity between the fees collected by the Patent Office and the cost of operating the Patent Office has widened for the last 25 years, and at the present time the fees collected by the Patent Office amount to approximately 36 or 37 percent of the operating costs.

It is my philosophy that despite the beguiling language of the Constitution of the United States, article I, section 8, there is no reason why an agency of the Government which is operated primarily for the benefit of a particular group of people, should not be self-sustaining, or reasonably so. This has been my position with respect to the operation of the Post Office Department, which has been under difficulties for a great many years. But despite the fact that inventors make full disclosures of their inventions to the public, they get for their disclosures a 17-year monopoly to exclude others from utilizing or gaining any advantage from them. Granted that a large percentage of the disclosures which are made are worthless, and I say this advisedly because it has been my experience that a large percentage are worthless, inventors are not going to be dissuaded by the fact that fees are going to be increased. With this philosophy in mind, therefore, I cannot agree with a large percent of my brethren in the patent profession, that there should be no increase in fees, or at best a very nominal increase in fees. Had we been forthright, had we been intelligent, had we been cognizant of the general welfare of the patent system, and the functioning of the Patent Office, we would have increased the fees as the cost of operating the Patent Office rose. We would not now be faced with an archaic fee system which was devised in the 1930's to meet the functioning and operation of a Government well past the middle of the twentieth century.

However, I think that some of the proposals contained in H.R. 8190 for increasing the fees are in the wrong direction. First of all, I think that the fees collected for operating the Patent Office in its various branches and in its various functions should bear a relation to the service rendered. The first fee which strikes me as being particularly woefully unsupportable is that of recording assignments at the rate of $20 per item. It is proposed to charge $20 for each patent or patent application, trademark registration, or trademark application assigned. Were it to cost $20 per item to record a patent assignment or a change of name of a corporation, or any other function of similar nature, then I would not object to raising this fee to this amount. In my discussions with a very recent Commissioner of Patents this fee increase was designed as an out-and-out revenue raising proposition that had absolutely nothing to do with the cost of the function involved. Recording is something that everybody has to do in order to get his title up to date, and consequetnly the Patent Office is proposing to tag it with as high a tribute as it can. Basically, this is the sort of thing which has made the fee bill unpalatable to some patent owners and many patent lawyers.

I propose that the cost of recording assignments, changes in title, and similar things, be made higher in order to reflect the increase of operating this branch of the Patent Office. It is my understanding that the cost of this operation could be recovered by increasing the fee to $5 for each document not exceeding three pages, with $1 for each two pages over three, and with $1 for each extra item embodied in a single document.

On this point I should like to point out, gentlemen, that the Patent Office is woefully inefficient in its recording of assignments and other documents with respect to title. It is not infrequent that it takes 3 months between the time

of transmitting the document to the Patent Office for recording and the time of receiving the recorded document from the Patent Office, even though the document will have a date stamp 2 or 3 days after its mailing from Chicago. This took place, as I understand it, during Mr. Watson's tenure as Commissioner, when he was directed by the then administration not to increase the employment of certain clerical help in the Patent Office. Consequently, when people left the assignment recording operation, they were not replaced and the recording of assignments became slower and slower and slower. The situation is not particularly greatly improved as of this hearing.

My suggestion will not bring in $1,600,000 a year as would H.R. 8190. My suggested schedule would raise over three times the $100,000 a year which is now collected annually by the Patent Office for this function.

I cannot agree that the taxation of patents is a good thing. Of the major nations of the world who are technologically free and technologically advancing, and I say this without any appreciation of what the Soviet Republic does, only the United States and Canada do not have a system of leveling taxes on patents. Canada does have a provision in its law whereby if a patent is not being utilized in Canada for the protection of Canadian industry, the patent is subject to a compulsory licensing. We have not gone this far in the United States. But in the over 20 years of my practice, I have had only one experience with compulsory licensing in Canada.

The taxes proposed by H.R. 8190 are not too onerous, but the fact that they would be payable requires a tremendous amount of clerical staff which will feed upon itself over the years to come. For example, each law firm which has solicited a patent in the U.S. Patent Office will have to set up a tax docket and keep records. It will have to notify the owners of these patents of the requirement to pay the tax in the 5th year, the 9th year, and the 13th year. And it will have to charge the client for the keeping of the records, for the notification of the payment of the tax, and for the payment of the tax. Should the patentee, in any of the 5th and 9th years, not have made enough money out of his invention so that he may avail himself of the escape clause and not pay a tax, he will have to file a certain document with the Patent Office. Who would draw the document? The lawyer will. Who will receive a fee for the document? The lawyer will. Granted that these documents may be quite simple, nevertheless the lawyer will gain from both the tax that is not paid, the tax that is paid, the keeping of the records, and all other matters in connection with taxes.

H.R. 8190 proposes that the Patent Office will notify the patentee within a certain period of time before the 5th, 9th, and 13th years' taxes are due, in order to apprise him of his rights and to advise him that the tax should be paid, or that under certain circumstances it may be deferred except for the 13th year's tax. The Patent Office will have to set up a bookkeeping arrangement for this, it will have a staff for this, and if my experience with the Patent Office over the past 20 years is any criterion, this will be a staff which will grow. It is my conservative judgment that the cost of operating that portion of the Patent Office to collect the maintenance fees will cost the Patent Office somewhere in the neighborhood of one-quarter of the amount of the fees collected. This is not included in the cost of operating the Patent Office, nor is it indicated as an expense, but the fees are indicated only as an income item in the chart set forth in pages 13 through 15 of House of Representatives Report No. 949, 88th Congress, 1st session.

On the other hand, I realize that the Patent Office should collect fees which are commensurate with the amount proposed to be collected under H.R. 8190. I find that taking into account the removal of the maintenance fees which the Patent Office estimates will be $2,877,000 per year, and the removal of the excess fees for recording documents, which I estimate will be $1,229,000 a year, a total of $4,106,000 a year must be gleaned from a revised bill in order that the disparity between the cost of operating the Patent Office and the total fees collected would not be greater than that proposed under H.R. 8190. Assuming that 50,000 patents per year are issued by the Patent Office, and I think this is a reasonably fair estimate, the $4,106,000 a year amounts to $82 per patent.

I propose that this $82 per patent be made up by increasing the filing fee, not to $50, but to $60, which leaves $72 to be collected.

I further suggest that the final fee be made $150. The final fee to be paid under my proposal and under the proposal suggested by Mrs. Daphne R. Leeds, who testified in connection with H.R. 10966 in 1962, be made payable in install-

ment, the first installment to be $75 as proposed by H.R. 8190, and the other $70 or $75 to be paid at any time subsequent to the issuance of the patent when the patentee desires to do any one of the following things: Assign any interest in his patent; license anyone under his patent; file suit under his patent; or actively defend a declaratory judgment suit under his patent. My proposal cuts away all of the bookkeeping by the lawyers and all of the bookkeeping by the Patent Office. It will save the Patent Office thousands of dollars and the patent owners thousands of dollars. Under my suggestion the recovery by the Patent Office would be about the same as that provided by H.R. 8190.

These suggestions are not made lightly, and I am sure that they are not going to be met with a great deal of enthusiasm by my colleagues. However, I recognize that the Patent Office ought to be more closely self-sustaining than it is, and I make them in all sincerity and honesty, with the thought that they will best serve the patent system and not harm the individual inventor and the small company.

Senator McCLELLAN. The other witness was most cooperative with respect to time.

Mr. JOHN LOVE. I will do my best, Senator, and I will answer any question which I can.

Senator McCLELLAN. I would rather forego asking questions and depend on you to make the case than to inconvenience four or five witnesses who are here.

Mr. JOHN LOVE. I would like to say that I am past chairman of the section of trademark and patent copyright law of the American Bar Association, and in 1954 at the annual meeting of the association in Chicago I was one of those who argued in favor of the change in the position of the association in connection with fees over that which had previously been established.

My philosophy in connection with fees can be stated in three points. I agree that the fees should be raised to such an extent that the recovery of the costs of operating the Patent Office should be as that suggested by the Government witnesses in the area of 66⅔ to 75 percent.

My second point is I believe that the fees charged for the various functions of the Patent Office should be harmonious with the cost of performing those functions.

Third, I do not believe that the increases at this time would discourage invention. If the modest increase which was made in 1932 at the depth of the great depression did not discourage invention, I cannot see how the increases suggested at the present time, and sought by the two bills under consideration, H.R. 8190 and S. 2547, will discourage invention in this time of economic upsurge.

In 1953 or 1954 I attended a meeting of the National Association of Manufacturers in Chicago, with the director of research and engineering, of one of my clients, and we listened to then Commissioner Watson tell about the cost of operating the Patent Office and he stated that the cost of the examination of patent applications amounted to about $180 per case.

Well, the fees charged by the Patent Office to finally issue a patent amounted to $60, leaving a discrepancy of $120. This director of research and engineering said, "The solution is easy: raise the filing fee to $90, and raise the issue fee to $90. We will pay them. It won't make any difference to us."

While I agree that raising the fee should be made and that it won't be harmful to inventors, I disagree with the technique suggested in the pending bills.

Primarily I disapprove of maintenance fees, and I disagree with the reasoning used by the Department of Commerce and Patent Office officials in sustaining them.

The maintenance fees under the bill, under H.R. 8190, must be paid by all who have acquired a patent by assignment, and by all inventor patentees who receive adequate income from the patent.

The fallacy in the reasoning expressed here arises from the expressed belief that the individuals and companies who have acquired a patent do so from a considered judgment that the invention can be commercially exploited.

This is not necessarily so. In fact, it is not always so. Most of the assigned patents are made by individuals to their employers, and the employers do not at the time of taking title have any exact knowledge that the invention can be commercialized. Yet they must willy-nilly pay the maintenance fee as now set forth in H.R. 8190.

These fees must be paid even though the patents are on inventions which are not proven themselves or which are defensive or fencing patents. On this question of fencing and defensive patents, I agree generally with the definitions given them by Messrs. Schuyler and McKie in their testimony, and consequently I am not going to repeat it. To take the place of maintenance fees and also of other fees I would increase the filing fee from $30 to $60.

Senator McClellan. To $60?

Mr. John Love. Yes, Senator, $60; and I would also include in that increase the other fees suggested in H.R. 8190, namely the fee for any independent claim in excess of one of $10, and the excess claim over 10 to be $2 per claim. I would increase the issue fee to $150, including all the other fees in H.R. 8190, the independent claim fee, the excess claim fee, the printing charge fee, the fee for the number of drawings in the issue of a patent.

However, on this $150 fee, a fee of $75 will be paid by an inventor patentee who had retained title to his invention all during the prosecution of his application, and it issued to him personally. If it hadn't been assigned prior to issue, the final fee would be $75 and payable immediately. The individual inventor subsequently would have to pay the other $75 of this final fee if he assigned it, that is sold it to somebody else, if he granted a license under the patent under which he would expect to receive income or royalty, if he sued an alleged infringer under the patent or if he defended a declaratory judgment suit under the patent.

In other words, any time that he affirmatively uses his patent to his own benefit, he would have to pay the other $75 to the Patent Office. I don't imagine that would be very much, but it would bring him into the same position as the assignee corporation, the assignee individual who is expected, although he may not always do it, to commercialize on the patent.

These fees I think, and I have explained it in my prepared statement, would recover to the Patent Office about the same amount of money as would be recovered under H.R. 8190. The advantage to the Patent Office though is that they would get that money today instead of 13 years from now when the annual cost of operating the Patent Office would not be the present $28 million but, probably would be vastly more.

How much more I haven't any idea, and I don't suppose the committee has any idea. But we would have the recovery of $21 million today instead of 13 years from now, and we will be getting the 66⅔ or 75 percent, whichever it would turn out to be, today.

We have heard quite a lot of testimony in the last day and a half or 2 days concerning independent and dependent claims debate. I don't think that the schedule proposed in H.R. 8190 will be particularly onerous to patent applicants either to the individual inventor or to the company who has taken title to an invention.

I ordinarily find in my practice, and I represent primarily small companies and to a large extent, individual inventors and professional engineers, that where the invention is a simple one, perhaps two independent claims are all that is necessary. On a complicated invention, and I have a couple of examples here on the table, a number of independent claims would be necessary.

But here are two patents, both of which are commercially extremely valuable, and consequently the question of paying fees on them is a small matter. It is the importance of the invention and the importance of the patent with which we are concerned.

On this same point, there has been some controversy and some discussion that we ought not to amend a substantive provision of the patent law by means of a change in the fees. Actually section 11 of H.R. 8190 amends a substantive portion of the Patent Act of 1952, namely, section 112. It is not listed only in the fee schedule. It is listed in a part of the act which sets up the rights of the patentee and the rights of the patent applicant.

On the second point in my philosophy, where I stated that I think the fee charged ought to be harmonious with the cost of performing the function, I would like to refer to the proposed increase in the cost of recording. Under H.R. 8190 the cost of recording an assignment will be $20 per item.

It is not unusual in changing title to patents that a large number of items will be assigned in a single document, and the cost therefore will be 20 times the number of items changed, for which title was changed.

Recently I filed in the Patent Office a document changing a corporate name. This goes on from time to time. I had to list in that document all of the patents which the corporation owned under its own name. Right now I can't remember how many there were, but I think there were about 125.

Under H.R. 8190 it would cost $2,500 to record that change of corporate name. The cost now would be about $65. There is a tremendous difference between $65 and $2,500 merely because the corporation had to modernize its name.

In talking with a former Commissioner of Patents, I discovered that this suggestion for changing the recording schedule was admittedly an out-and-out fundraising scheme. It had nothing to do with the cost of the function in the Patent Office.

I believe that the cost can be fully recovered if the recording fee be increased from $3 to $5 for each three pages of the document, with a charge of $1 for each two additional pages to the initial three and a charge of $1 for each added item.

I believe that that would give the Patent Office an adequate revenue to operate this function in the Office. It would raise under the figures given by the Patent Office in the schedules which have been incorporated in the hearings about $300,000.

These changes and those which I have indicated as for the final and issue fee would raise all of the money which they would lose under H.R. 8190 from dropping maintenance fees and from dropping the charge of $20 per item on recording to $5, $1, and $1 for the various functions performed.

Now I have had some little time to analyze S. 2547, and I disapprove it to the extent that it would raise the fees charged for the trademark operations on the same basis; namely, that the fees which will be charged under S. 2547 will be completely out of line with the cost of the function performed by the trademark branch of the Patent Office.

In talking with the Patent Office people, I have obtained the impression, and I think it is correct, that the fees set forth in H.R. 8190 would be adequate to make this operation self-sustaining. I think that is all it ought to be. I do not think that we ought to charge trademark owners and trademark registrants for the cost of operating the patent branch.

Senator McCLELLAN. I agree with you about that.

Mr. JOHN LOVE. Thank you, sir. I have some other points.

Senator McCLELLAN. Something may develop to change my mind, but as of now I don't see the wisdom of having the trademark division or trademark clients pay for patent services.

Mr. JOHN LOVE. I think that is true. I represent one organization which has a large number of trademarks, trademark registrations, and no patents whatsoever. Their business doesn't call for patents. They are retailers. Consequently they don't need patents. They shouldn't have to pay for my clients' patents.

I have some other objections to S. 2547 which I haven't fully developed here, and I would like the opportunity to submit an additional statement.

Senator McCLELLAN. If you will do that.

Mr. JOHN LOVE. I will do that, Senator.

Senator McCLELLAN. Prepare a statement. The Chair has given instructions now in arranging in the permanent record that where a witness testifies and then supplies an additional statement, that it be printed immediately following his oral testimony. Thank you very much, sir.

Mr. JOHN LOVE. Thank you.

Senator McCLELLAN. We appreciate your cooperation with us.

(The following was subsequently received and made a part of the hearings at this point by order of the chairman:)

SUPPLEMENTAL STATEMENT OF JOHN T. LOVE

Subsequent to my appearance before the committee, I have had an opportunity more fully to consider S. 2547.

While this bill would increase the filing and issue fees along the lines I have proposed, it would not provide the income that my proposal would. To overcome the deficit, S. 2547 would excessively increase the trademark fees, raise the cost of printed copies, and create some new fees.

I agree with the testimony of the Government witnesses wherein it is stated that one of the most important functions of the Patent Office is the relatively low-cost dissemination of the technology represented in issued patents. It is

vital that this information be made widely available to all at as low a charge as may be made. Many patent copies are purchased by potential as well as actual inventors, and they should be able to buy these copies at charges which are consistent with charges made by the Superintendent of Documents for pamphlets and other materials issued by the various departments and agencies of the Government. I think that the present charges are fair and reasonable and should not be doubled as S. 2547 would do.

I oppose the schedule of recording fees of S. 2547 for the reasons given in my oral testimony, although it would not be as inequitable as that of H.R. 8190.

I do not see the necessity of a fee of $100 for the institution of a public use proceeding. The revenue produced by this would be infinitesimal when balanced against the sought for increased income. During my entire professional career, which has extended over 20 years, I have not been involved in a public use proceeding, nor do I have any knowledge of such proceedings. Any belief that such a fee would bring in substantial revenue is illusionary.

The fees of S. 2547 for filing motions and briefs in interference proceedings are improper. An interference proceeding is to determine who of two or more inventors has priority of invention and is entitled to a patent on the invention. By statute, rule, and case decision, it has become a complicated technical proceeding, studded with boobytraps to ensnare the unwary. It is very frequently necesary, during the early stages of such proceedings, usually during the motion period, to file one or several motions to protect an inventor's rights and to prevent the creation of estoppel against him which would prevent his obtaining the maximum amount of protection for his invention even though he be awarded priority and emerge the victor in the proceeding.

To charge a participant a fee of $50 for filing any motion in such a proceeding is unfair and inequitable. In the first place, this fee is not limited to substantive motions, and by the terms of the bill would be collectible even though the motion would merely be one to extend the time allotted for taking some action in the interference when a stipulation between the parties to extend the time cannot be obtained. In the second place, an inventor should not be penalized or fined for taking some action in the interference which is necessary to correct or rectify an error in judgment of the examiner in setting up the interference and to protect his rights and prevent the creation of estoppels.

The proposed fees for briefs in an interference fall in the same category. Motions ordinarily must be supported by and opposed by briefs. And anyone who is a serious contestant in an interference must file a main brief at the final hearing (it being noted that only reply briefs at final hearings are exempt from the fee). No participant in an interference should be penalized by a $100 brief fee when the brief is essential to his case.

Sight should not be lost of the fact that most of the time an interference is an involuntary proceeding for both or all parties to it. I concede that some interferences are provoked by copying claims from an issued patent, but my experience tells me that this is not the usual case. And even in those cases, at least one of the parties is an involuntary party. These circumstances lead me to the only conclusion possible; namely, that these motion and brief fees of S. 2547 are unfair and inequitable. They cannot be compared with filing and issue fees which can be avoided by forgoing the privilege of seeking a patent on an invention.

During my oral testimony I commented unfavorably upon raising the fees charged by the trademark branch excessively to cover part of the cost of operating the patent branch. My position cannot be stated too strongly. There is no reason why trademark owners and registrants should be required to pay for patents they do not obtain for themselves, do not need, and do not give them any protection. S. 2547 would raise the fees collected to issue a registration to $85, more than three times the present fees and more than double the fees of H.R. 8190. If the expenses of operating the trademark branch were not recovered by the fees of H.R. 8190, I would not oppose raising the present fees to recover that expense, but I am reliably informed that the fees of H.R. 8190 would be at least adequate.

My previous comments on the fees for recording assignments and other documents of both H.R. 8190 and S. 2547 are applicable to the corresponding recording fees in the trademark branch.

On balance, I believe that the fee schedule of S. 2547 is more unfair and inequitable than that of H.R. 8190, or my own proposals.

During the oral testimony, much was said about the per capita number of patent applications filed in many foreign countries compared to that of the United States. It should be noted by this committee that a very large number of those patent applications are filed by the nationals of other countries, including the United States. No figures were produced to show the per capita number of patent applications filed by the nationals of any country in their own country. Under these circumstances arguments based on the available figures are misleading and should be ignored.

Senator McCLELLAN. All right, Mr. Carl Love, do you have a prepared statement?

STATEMENT OF CARL LOVE, PATENT ATTORNEY, WASHINGTON, D.C.

Mr. CARL LOVE. Yes, Mr. Chairman.

Senator McCLELLAN. Your statement will be printed in the record at this point.

If you will cooperate with us, I believe we should be able to hear everyone scheduled.

(The complete statement of Mr. Carl Love follows:)

PREPARED STATEMENT OF CARL G. LOVE, ESQ., ON H.R. 8190

Mr. Chairman, and members of the subcommittee, my name is Carl G. Love, I am a patent attorney in private practice in Washington, D.C., with the firm of Cushman, Darby & Cushman. I am also a member of the legislation subcommittee of the patent section of the District of Columbia Bar Association. Some of the views I express herein are, I believe, endorsed by the members of that committee, but I should also state that these opinions are primarily my own, as based on my experience in the patent profession.

I have been working with patents for some 10 years, having started originally with the U.S. Army Chemical Corps Patent Agency, while an enlisted man. During 1955–56 I was a patent examiner in the U.S. Patent Office, and I have been in private practice since 1956. I have the privilege of representing some of the largest corporations, as well as very small corporations, and individual inventors of quite limited economic resources.

I speak generally in support of H.R. 8190 and the concept which it advances in regard to the increase of fees for the Patent Office. I do want to emphasize the word "generally," however, for while this bill has many valuable features, I do believe it can be improved and will be improved as a result of the study and consideration given it by this subcommittee.

I want to state at the outset that I do not oppose the introduction of maintenance fees in this bill. It is my opinion, considering all the circumstances, that the maintenance fee approach is desirable and beneficial to the patent system at this stage. I recognize that this is a view not shared by the majority of my colleagues, and I disagree with their opposition to this approach. I have followed this bill closely and its passage through the House, and I have read and become generally familiar with the hearings on its predecessor bills in the 87th Congress, H.R. 10966 and S. 2225.

I am, as a result, convinced that the time has come when there must be an increase in the fees charged by the Patent Office, and the problem facing this subcommittee is to introduce the fee increases in such a way as to constitute a minimum damage to the patent system. I believe the greatest damage will occur if the Government fee cost of obtaining a patent is increased to an inequitable level. I believe, also, that the desire to hold down the cost of obtaining a patent is shared and almost universally supported by my colleagues.

If those principles are endorsed, it seems inescapable to me that we must resort to a maintenance fee approach, just as many other countries in the world have done.

It is not an easy thing to adopt or support a maintenance fee proposal in view of the vigorousness of the opposition to this concept. It is especially not easy to support this kind of a fee when one is an attorney in private practice depending upon the favor of his clients, who not only give him his livelihood, but who will have to pay the fee of this kind.

Nevertheless, it appears to me that the alternative of still higher filing and issuance fees is far less palatable than the concept of a maintenance fee.

As to the specific proposals in this bill for maintenance fees, however, it is my opinion that paragraph (f) of the amendment of section 6 of the bill, appearing at pages 8 and 9 as it is printed, should be deleted. This is a paragraph which provides for deferment of the payment of the maintenance fees by individual inventors who can show they have not received a "total benefit" for the patent at the end of the fifth or at the end of the ninth year at least equivalent to the amount of maintenance fees then due.

I think that is a bad provision because it introduces a wholly unacceptable uncertainty into the patent system. The vague phrase "total benefit" is an invitation to litigation, and aside from that, it will become very difficult to know which patents have lapsed and which have not.

I think it always advisable to have as much certainty in the law as possible, and paragraph (f) of section 6 introduces, to the contrary, lack of certainty.

Under the maintenance fee schedule, a patent would ordinarily lapse if the fee is not paid. Presumably, the Patent Office will indicate the payment of maintenance fees by maintaining a public record to that effect, or by an endorsement on the patent copy, or the like. In the case of a patent which is not assigned, however, or at least one in which the assignment is not available from the public records in the Patent Office, there will be no way of telling if an apparently lapsed patent on which the fee has not been paid, will be "revived" years later through the deferred payment of the fee.

It is apparent that under such a circumstance, we will have three kinds of issued patents: (*a*) Those which are issued and maintained, and hence "alive"; (*b*) patents as to which no maintenance fee has been paid and which have lapsed and are available to the public at large; and (*c*) patents as to which no maintenance fee has been paid, and which may have lapsed, but which may be reinstated, and "revived" through deferred payment of the maintenance fee.

This situation will create an enormous problem when it comes to the question of formulating an opinion as to whether a new device or commercial product will be free from infringement of other patents. It is a fact that innovations are today very frequently introduced by small corporations with new and fresh ideas, and it is of extreme importance to these corporations to be on firm grounds with respect to potential infringement. They are not in any kind of financial position to support the cost of defending patent suits. The uncertainties and substantial "gray areas" created by this deferment provision will actually work directly against the smaller corporations and individual inventors which it is intended to help.

That is, the intent of paragraph (f) of section 6 of the bill is to give an economic assistance to an individual inventor who has not yet been able to capitalize on his patent. I think, however, that when you consider that the use of his patent is really dependent upon his invention being free from infringement of other existing valid patents held by others, it can be seen that there is great disadvantage to that individual inventor in not knowing and not being able to tell which patents are and which are not "alive." I do not believe that the possibility of deferring a $50 fee 5 years after issuance, or even of a $100 fee 9 years after issuance of his patent will in any way recompense him for the additional expense he will have to pay in legal fees for the more difficult infringement search which will result as the result of others who have similarly deferred payment of fees for their patents.

There are two other matters in this bill which I think also warrant revision by this subcommittee, and these relate to the filing and issuance fees.

As proposed in H.R. 8190, the basic filing and issuance fees will be increased by surcharges for so-called "extra" claims and for the number of pages of the printed specification and the sheets of drawings. The increase which is to be created over the present fees (only $30 at each stage) is, in my opinion, at least too great a change to take in one step, and it is unnecessary.

Now, the main difficulty with this bill is that it has been too long in coming. Thirty-two years have elapsed since the last fee bill, in part because of past ill-advised opposition to any fee increase. The result is that we must now prepare ourselves to swallow a larger pill than we would like. However, the pill should not be so large that the patient cannot put it in his mouth.

At the proposed level of surcharges of $10 for each independent claim in excess of one, the filing fee may be at least quadrupled for simple applications, which are not unduly complicated or improperly prepared in any way. Total filing fees and issuance fees may actually be increased to levels far in excess of

the legal fees charged for their preparation. These changes are proposed at a time when the law states, and the Patent Office requires, that the applicant should be fully claiming the invention he wants to patent at the time he files his patent application. An invention cannot be claimed with any justice to the applicant through only one, two, or three claims. A reasonable number is needed and is appropriate.

A disproportionate number of claims is, of course, clearly improper, but the Patent Office has ample authority at this time to require reduction in the number of claims through the rejection of all the claims because they are unduly multiplied. This is a rejection with considerable teeth to it and the Patent Office need only enforce its rules to attain the goal of curbing the abuses.

It will be far more equitable and consistent with current practice if the surcharges for extra claims and specification pages, etc., be applied only to those cases with an unreasonable number of claims. I think for this purpose the subcommittee should accept the present "average" patent as a proper kind of patent insofar as size is concerned, and a patent of that size should be free from surcharges in excess of the basic filing ($50) and issuance ($75) fees. In the statement of the Patent Office in connection with S. 2225, it was shown the average size of a patent is about seven claims, about four or five of which were "independent" claims.[1]

I therefore recommend and propose that this subcommittee amend section 1 of H.R. 8190 at line 9, on page 1, to strike the word "one" and insert therefor the word "five." With this change, the surcharge for independent claims would apply only for those claims in excess to the "average" number of such claims.

For the same basic reason that an average size patent ought to be issued without a surcharge, I also recommend and propose that this subcommittee amend paragraph 2 of section 1 of H.R. 8190 at page 2, line 5, after "thereof" insert "in excess of four pages."

This, again, is for the reason that today, by the Patent Office's own statement, an average patent runs about four printed pages of specification.[2]

For the same basic reason, I further recommend and propose the subcommittee amend paragraph (2) of section 1, H.R. 8190, at page 2, line 6 of the bill, to insert after "drawing," the words "in excess of two sheets of drawings." Again, the Patent Office statement shows that the average patent application has two sheets of drawings.[3]

An average patent application and an average patent should be accepted and issued without needless surcharges, and for payment only of the basic filing fee of $50 and issuance fee of $75.

The subcommittee will appreciate that there are strong reasons why patents should contain an appropriate number of claims (in order that the public will be adequately and properly informed of the limits of the patented invention, and so that devices without the scope of the patent may be made without fear of the uncertainties of litigation). There are similarly overwhelming reasons why a fee structure should not impose a penalty on inventors who have only made a properly complete disclosure of the invention. Whether one is a proponent or an opponent of the patent system generally, all are agreed that one of the greatest benefits of the patent system, and one of its most desirable features is the disclosure of the new innovation and technology. It is wrong concept to penalize the men who make the more complete disclosure. The Patent Office already has strong and adequate weapons to oppose unduly lengthy disclosures. Through the objection that the specification is "prolix," the examiner can today compel its reduction in length, and he does so whenever needed. No peculiar fee structure imposing a financial burden on all regardless of whether they comply with the rules, is required to achieve this goal.

The foregoing suggestions for the bill will of course, result in some loss of anticipated revenue. These funds can be recovered in substantial part, however, by making one further revision in the existing fees, which was untouched for some strange reason by present H.R. 8190.

This change would be to increase the fees for patent copies as provided in paragraph 9 of section 1 of the present bill (printed at p. 3). The present

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[1] See hearings on S. 2225, 87th Congress, p. 462, p. 74, and p. 90, table 11.

[2] See hearings on S. 2225, p. 74, right-hand column shows an average specification of not quite eight claims, there being two columns to the printed page.

[3] See hearings on S. 2225, p. 74, left-hand-most column.

fees are 25 cents per copy for mechanical patents and 10 cents per copy for design patents. Those fees have also remained unchanged since 1932, even though it is the cost of printing the copies which has gone up so much over that period of time, which the Patent Office has used in support of printing the fee schedule for patents in paragraph 2 of section 1 of the bill.

I recommend and propose the subcommittee increase these fees to 50 cents per copy of mechanical patents and 20 cents per copy of design patents. This is a change identical to that proposed in a substitute bill recommended by the Connecticut Bar Association and urged by Congressman Giaimo (see Congressional Record, Jan. 22, 1964, p. A259, sec. 9). On the basis of the current volume of patent copy sales, rather small changes alone would increase the income of the Patent Office by $1,500,000. It is also an increase that would be paid by those who directly benefit from the service of being able to obtain and utilize the copies of the patents.

This is, I believe, a far better device to increase the income of the Patent Office and preferable to the imposition of large fees for the filing and issuance of the patent itself.

In summary, my position and recommendations to the subcommittee are that the maintenance fee concept should be retained and that filing and issuance fees be held to reasonable levels while increasing the income of the Patent Office. However, the deferred payment provision of paragraph (f) of section 6 should be deleted to eliminate the confusion it would introduce, and the filing and issuance fee schedule should be adjusted so that an only average size application and patent may be filed and issued upon payment of only the basic fees, without surcharges. The cost of obtaining a 17-year patent in the average case will still be increased seve[illegible] from $60 to $425 and that seems to me to be enough.

Mr. CARL [illegible] think basically the reason I am here, sir, is to state for the [illegible] y of the patent bar who feel that H.R. 8190 is basically a [illegible] I think the problems we see today are that 32 yea[illegible] too long.

[illegible] Do you represent any association?

[illegible] sir. I am a private practicing patent attorney [illegible]

[illegible] . You said you represented a minority view of th[illegible]

Mr. CA[illegible], sir. I think Mr. McKie indicated that there were a group of us who were in the minority in a survey conducted by the APLA.

Senator MCCLELLAN. All right, proceed.

Mr. CARL LOVE. I think with the period of time that has passed since 1932, we are faced with, as I indicated in my prepared statement, the swallowing of a larger pill than we would like to swallow, but nevertheless I think that is correct that the Patent Office fees ought to be raised.

I think that they ought to be raised in this Congress. I would certainly hope that this subcommittee will be able to enact and approve, and seek and succeed in obtaining passage through the Senate, of a bill of the nature of H.R. 8190.

Now specifically with regard to H.R. 8190, I also wish to state that I am in favor of the concept of the maintenance fees. I am speaking as a private practicing patent attorney, and I represent private corporations and individuals. They are going to have to pay that fee. But I think we are at a point where the Patent Office income must be increased, and in order to have the increase which is now needed, it is going to come either from fees that are required in the filing and the issuance of the patent or through some other fee.

Senator MCCLELLAN. I take it then that you don't agree that the public should bear all the cost?

Mr. CARL LOVE. No, I don't, sir. I think that it is a legitimate approach to say that something of the nature of a 60-percent recovery for the Patent Office from the patentees is an appropriate measure.

I am a proponent of the patent system, and frankly I feel as an attorney that I am in a far better position to defend that patent system if we are paying part of the cost for it than if we are saying we ought to have pretty much of a public-supported free ride. I would be a little bit stronger in my defense I think.

Senator MCCLELLAN. You would also have more interest in it running economically and efficiently, too, wouldn't you?

Mr. CARL LOVE. I should think so, sir.

Senator MCCLELLAN. All right.

Mr. CARL LOVE. As I say, I do not believe that the amount of income which ought to be raised by what really now is almost reform legislation should come from the fees required to file and obtain a patent.

I think that there is no reasonable alternative to a maintenance fee. I think that the fees that are put in here as maintenance fees are commendably low, and I recognize that they are at their present level as the result of the Senate's touch on S. 2225 in the last Congress. I think it has to be kept in mind, as you consider these maintenance fees that after 5 years we are asking the man to pay only what amounts to $10 a year, and after 9 years he is only paying another $25 a year to maintain his patent over that period of time, and even into the 13th year the rate per year is not high. It is quite low.

I am unfrightened by the magnitude of these fees, and I am unfrightened by the effect that they may have on the patent system.

I have complete confidence the patent system will survive the enactment of any such provision I think; however, as you have pointed out, Mr. Chairman, there are points in this bill which warrant some improvement, some modification, and I do have confidence that the Senate will leave its mark on the bill.

Now I have proposed certain specific changes in H.R. 8190, and they are rather minor. But on the subject of maintenance fees, we have a provision which is the deferred payment put in as a benefit to the individual inventor. I believe, sir, that this is an illusory benefit entirely. It is one which really doesn't mean anything to him, and I think it is one which will cost him more in the long run than any saving of a deferred payment of his maintenance fee.

I think therefore that the entire section F—paragraph F it is—of section 6 of the bill which appears at pages 8 and 9 should be struck out. All that this will do is introduce an enormous amount of uncertainty into the patent system.

This is the provision in which a patent will be in a state of limbo. It may or may not have lapsed. One would not be able to tell.

And when an individual inventor comes to the point where he wishes to recoup some income as a result of the product of his genius, he is not himself selling a patent. That really doesn't mean all that much.

Whether it is a strong patent or a weak patent or a broad, medium sized or narrow patent, the only thing he has of value to sell is the physical thing itself, the device, whether that is any good, and what counts is whether or not that device is used. That question depends in turn upon whether or not it infringes another patent.

As a practical matter it is the day-in and day-out experience of all patent attorneys that an infringement search study is conducted as a preliminary to the marketing of any invention. I think that paragraph F of section 6 of H.R. 8190 introduces a most undesirable uncertainty into the law, and against the individual inventor who has something that is good.

If he wants to market that thing and get some money back, it is going to cost him an awful lot more, for his attorney will have to study, necessarily, the validity of patents which might not be maintained, which might be lapsed, but he won't know which because of the deferred provisions.

As I say, I think the fees are sufficiently low that there really is no hardship to the individual inventor, and I think that there is no benefit to him from paragraph F of section 6.

It has also been pointed out that this paragraph contains the rather vague phrase, "total benefit." If the total benefit received by the inventor is not at least equal to the maintainance fee then required, he could defer payment thereof. That is, at best, an invitation to litigation. You can conjure up, I think quite well, the situation of a man who has filed his affidavit, said he did not get the total benefit, deferred payment, and later the Patent Office has revived his patent after it appeared to have lapsed. Then comes the investigation and probing of what went on, if that patent were sued on.

It would certainly be a defense I think any attorney would raise that in fact the inventor had received a "total benefit" in excess of the fee and there would be a doubt, certainly, as to what that "total benefit" is. I think this paragraph F can be removed without difficulty.

As to the remaining portions of the bill, this bill proposes certain basic filing fees and certain basic issuance fees. Then there are surcharges that depend upon this schedule of the fees for claims and the length of the specification. It is a fact, as you know, that the original bill of the House or of the Patent Office really, which was introduced in the House in the last Congress, H.R. 10966, did not contain basic fees of the magnitude which are in this bill. They have been increased from $40 to $50 at filing and from $40 to $75 at issuance.

According to the record which has been made by the Patent Office in their analysis of the average-sized patents, we have enough showing, I think, to conclude that the average patent application will have about five independent claims. And we have enough evidence to conclude with some assurance that the average patent at issuance has about four pages of specification and it has about two sheets of drawings. I think that it is reasonable for us to say that we ought to have an examination by the Patent Office of an averaged-sized application for only the basic fee, without any surcharge.

I therefore think that it would be appropriate in this bill to amend the first section at line 8 of the first page, to simply change the word "one" to the word "five," and at the second page, line 5, to indicate that the $10 per page, of what has been known as the printing fee, would be applied only for those pages in excess of four; and then at line 6, to indicate that the excess charge for sheets of drawings would apply only to those drawings in excess of two.

This is a simple change and a change which I think can be readily justified on the record, because all we are saying is that for $125, the man is entitled to the examination of and issuance of an average-sized patent. I do not think that the Patent Office can say they are under an undue burden which requires an excess fee when what they are looking at is only that which is average. That is what they are paid for to begin with.

There would, of course, be some loss of revenue from that. As you will recall, I am sure, the former Commissioner of Patents, Mr. Ladd, stated in his testimony in the 87th Congress, before this committee and the House committee as well, that he could not defend any particular level of recovery of income, whether it is 60, 65, or 75 percent. I think if there were concern, however, as to loss of revenue from these eliminated surcharges, which, under this bill would otherwise be applied to even the average case, this can be readily recovered by an increasing fee which has remained unchanged for reasons I do not understand. This is the fee for patent copy costs. I note that in the other competing bills which have been sponsored by bar associations in this area, there is widespread acceptance of the concept that 25 cents really is, today too little to pay for a patent copy.

Now, the figures of the Patent Office, again, in their reports filed under S. 2225 and H.R. 10966 in the last Congress show, that doubling the cost of a patent copy, from only a quarter to 50 cents, and you could go on and double the cost of a design patent from 10 cents to 20 cents, will raise just about a million and a half dollars revenue a year according to the current volume of sales.

I think that is an area of increased income to the Patent Office which, for some reason, has been left unchanged. I think that it could well be changed at this time. The 25-cent figure came in 32 years ago, just like the $30 filing figure did. Somehow, the 25-cent figure seems to have been held more sacrosanct than the $30 fee, but I think that it would be appropriate to charge those who have the benefit of the use of the patent copy a bit more than what they are paying today.

I think even then it is really quite a bargain.

This is the burden of my statement, sir.

Senator McClellan. Thank you very much.

Senator, do you have any questions?

Senator Burdick. Just one.

You would delete section 6(f) on page 8?

Mr. Carl Love. Yes, I would. This does not convey any benefits as were intended. There were statements on the floor of the House that this would be to the benefit of the small individual inventor. Actually, what it imposes, you see, is a tremendous uncertainty as to the existence or nonexistence of patents, so that actually he will not know whether he is infringing or not infringing a patent. So if he does not know, the potential customer does not. This uncertainty is a greater burden than the payment of the low maintenance fees.

Senator Burdick. So he either pays the fee or he does not?

Mr. Carl Love. That is correct. As Senator McClellan said yesterday, I think there could be a grace notice, but I think that is adequate.

Senator McClellan. Thank you very much.

(The following was subsequently received and made a part of the hearing record at this point by order of the chairman:)

ADDITIONAL STATEMENT OF CARL G. LOVE RE H.R. 8190 (SUPPLEMENTING ORAL PRESENTATION OF FEBRUARY 28, 1964)

In addition to the comments I have previously made, I think several other points should be called to this committee's attention with respect to the remarks others have made on this fee bill.

For instance, it has been said that the introduction of the maintenance fee approach will require some sort of notification on printed copies of the patents as to whether or not the maintenance fee has been paid, etc., and that is certainly true. The suggestion has further been made, however, that this procedure will lead to errors and confusion, and the Patent Office will find this a difficult matter to handle. I do not agree with these comments. I think the Patent Office is capable of handling these matters, as can be established from existing practice.

At the present time, there are several procedures affecting the validity and scope of already issued patents which require notification by the Patent Office on future printed copies of such patents. The Patent Office has handled these procedures without difficulty.

For instance, whenever an original patent is "reissued," under title 35, United States Code, section 251, the printed copies of the original grant are thereafter stamped or endorsed on their face by the Patent Office with a notice of the fact the patent has been reissued and giving the reissue number thereof. Similarly, whenever a patentee files a disclaimer under title 35, United States Code, section 253, the Patent Office also suitably endorses future printed copies of the patent with a statement of fact that the disclaimer has been filed and what has been disclaimed. This notice is attached to printed copies of specifications under Patent Office rule No. 89. Likewise, whenever a patentee obtains a certificate of correction under title 35, United States Code, section 254 or 255, a notice of such correction is thereafter endorsed on the patent itself under Patent Office rules 322 and 323. Further, whenever the identification of inventorship is corrected by a patentee under title 35, United States Code, section 256, a certificate of correction is similarly issued and attached or endorsed under Patent Office rule 324.

The point in referring to all of these existing procedures is that we have had this practice for many, many years, and I know of no problems it has created. In my opinion, there is no reason to believe that the Patent Office will not be able to similarly provide adequate notice or endorsement on patent copies of the payment or nonpayment, of the maintenance fees.

Turning to another area of controversy, a number of persons testified as to the difficulty of sustaining dependent claims in patent suits in which the independent claim was held invalid. They, therefore, argued against the present provisions of H.R. 8190 which are intended to encourage the filing of dependent claims.

The argument goes that this places the patentee in an unfavorable position of losing his rights unless he pays possibly enormous and unjustified fees to have all the claims in independent form. The difficulty in this area is with the language of section 1 (par. 1 of the bill, p. 1, lines 7–8) that the fee of $10 for each claim in excess of one is charged "on filing or on presentation at any other time." Inasmuch as the intended benefits of paragraph 1, section 1 of the bill are to aid the Patent Office during the examination of claims, and the principal objection is that once out of the Patent Office the courts tend to frown upon dependent claims, it would seem to me appropriate to permit the conversion of dependent claims into independent claims, after they had been allowed, without the payment of the extra $10 fee. If this change is made, it would appear to meet all objections and satisfy all parties, except, of course, those who are opposed to any excess claim charge at all.

I therefore propose as a specific amendment to the bill, the insertion, after the word "ten" at line 11 of page 1, of the following words: "provided that no fee will be charged for the conversion of an allowed dependent claim into an independent claim prior to the issuance of a patent."

Of course, as I have indicated in my previous statements, the assessment of the $10 fee for independent claims in excess of one is really unduly severe and unnecesary. At least an average number of independent claims (namely, five) ought to be permitted without any surcharges, just as at least an average number

of pages of printed specification (at least four) ought to be accepted without the surcharge paragraph 2 of section 1 of the bill.

In connection with the magnitude of the fees generally proposed in this bill, the Patent Office emphasized in its testimony that the maintenance fees were really quite low in comparison with those charged in other countries. Attention was particularly called to Germany (which has uniquely high maintenance fees). What was not brought out in the testimony, however, is that Germany also has extremely low filing and issue fees.

It is, therefore, a specious argument that because the proposed maintenance fees are low, this bill compares favorably with fee structures in other countries. Actually, under the new bill, the filing and issue fee for average cases will be far in excess of the fees charged in any other country (those tabulated in table 18 at page 98 of the hearings on S. 2225 in the 87th Congress). Under H.R. 8190, the proposed filing and issue fees for an average application will be of the order of $225 or more.[1] This fee cost for obtaining a patent will be from 3½ to 35 times greater than the filing and issue fees in any other country in table 18.

Even if H.R. 8190 is amended as I have proposed, so that the "average" case will have filing and issue fees of only $125, the United States will still impose a filing and issue fee cost ranging from 2 to 20 times greater than any other country in the world in table 18.

It is, to me, regrettable that so much furor has been created over the question of whether or not maintenance fees should be imposed. It seems to me that in the "battle of maintenance fees," all commonsense has been lost with respect to the enormous increase in filing and issue fees. The maintenance fee proposal is extremely modest, but the proposed filing and issue fees are extraordinarily and unwarrantedly severe, to say the least.

I again urge the subcommittee to act favorably on the maintenance fee proposal of H.R. 8190 as an appropriate means to raise additional income for the Patent Office, but to reduce the level of the filing and issue fees proposed in H.R. 8190 so that a more equitable and balanced fee structure results.

Senator McClellan. Mr. Hackmyer, will you come around please.

STATEMENT OF SAUL A. HACKMYER, NEW YORK, N.Y.

Mr. Hackmyer. My name is Saul A. Hackmyer. Do I have to give my residence?

Mr. Burdick (presiding). It is in your statement, isn't it?

Mr. Hackmyer. Thank you. This is the first time I have ever testified before a committee. I am not sure what to do exactly.

I am an independent inventor. The purpose of my being here is to actually submit this idea relative to patents based on the experience I have had as an independent inventor trying to make a living from developing my patents.

The experience I have had is such that as a statement, I would like to read this essay that I made up as a solution.

(The essay follows:)

U.S. Letters Patent, Capitalized and/or Collateralized, for Business Assets and/or Loans—An Untapped Source of/for Technological/Economic Growth

(Essay by Saul A. Hackmyer, April 1, 1963)

Alfred North Whitehead said: "The greatest invention of the 19th century was the invention of the 'art' of inventing. * * *" "In this 20th century the greatest invention could be the invention for 'utilizing' the 'art' of inventing."

Today, to obtain a granted U.S. letters patent, it costs—in fees, legal finding, plus drawings and specifications—from approximately $400 to thousands of dollars, in direct expenses, and from 2 to 3 years in time.

[1] This is greater than the $144 tabulated by the Patent Office in table 18 because S. 2225 had lower fees than H.R. 8190.

Thus obtained, a granted U.S. patent (in and of itself) has to its holder only one intangible basis of value; i.e., a possible limited monopoly right to stop others from making and/or selling what is covered in the claims of the patent.

This (limited monopoly) value factor is not, itself, in the granted patent; but is one that (by expending more money and time) may be sustained by a proper court of law.

There is, to the patentee or owner, no real value factor inherent in a granted U.S. letters patent.[1]

It is herein proposed, that the Congress of the United States legislate to granted U.S. letters patent, a declared equivalent monetary value.

This value to be based on either: (1) the present ("new-useful" time-money) requirements of obtaining a granted U.S. patent, or (2) the 17-year covenant (limited monopoly) aspect of granted U.S. letters patent, or both.

This would enable the field of patented invention to have the same rights and privileges, already enjoyed by other fields of endeavor; i.e., the ability to function normally in business, by obtaining credit or loans (utilizing, as acceptable security, granted U.S. Letters Patent) from normal financial agencies.

The results of this relatively minor legislation, compared to the two main proposals for economic stimulation; i.e.: (1) the proposed Federal income tax reduction/revision plan; and (2) plant-equipment, accelerated writeoff rates could accomplish a more fundamental, immediate, and long-range job of solving the U.S. gross national product rate-of-growth problem.

Mr. HACKMYER. As a background to this, and I put this as a postscript on my statement, the experience I had with one particular invention—I submitted a copy of the patent with this statement, I have—I did not know whether this was possible or not—I brought a model of the invention and the papers that I have, correspondence with companies and things like that, regarding the development of the invention toward practical use. I do not know if this is out of bounds of normal committee procedures.

Senator MCCLELLAN. Well, you have something you want to submit? I did not quite understand it. You want to submit it as an exhibit?

Mr. HACKMYER. Well, I brought a typewriter—the particular thing I submitted was a typewriter eraser patent that I have, an eraser key for typewriters. As background for this statement, the experience I have had with this invention, trying to develop it and promote it, as the background for this solution.

Senator MCCLELLAN. Well, you do not want to leave your typewriter with us, do you?

Mr. HACKMYER. If it would solve the problem, I would.

Senator MCCLELLAN. I do not know that that would solve the problem. I leave it up to you whether you want to leave it here or not.

Mr. HACKMYER. Apparently not, then.

Senator MCCLELLAN. We do not have time to have a lot of demonstration about it now because of the shortage of time with which we are confronted.

Have you demonstrated it to the staff?

Mr. HACKMYER. I have not, no. I wanted to bring out this point as comparison to the value of an issued patent from the standpoint of using it. Once you get this patent granted, in and of itself, you cannot use it for anything, to perfect, or actually to solve the problem of the idea. This is the basis for this idea, that after a granted patent were issued, if it could be used for collateral to perfect the invention——

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[1] I would like to offer in evidence U.S. Patent No. 2,908,372 "Erasing Attachment for Typewriters," a working model of same and papers as an actual live example of the workings of the present day U.S. patent system.

Senator McCLELLAN. Is there any law to prevent it now?

Mr. HACKMYER. Yes; no bank, no financial institution will take a patent for a loan or anything. It is not considered to be acceptable for security. In my mind, I had either the GI bill type of thing or something where you would have some kind of certificate.

Senator McCLELLAN. Some way to use the patent as collateral to raise money to develop the invention?

Mr. HACKMYER. To refine it. I wanted to raise the idea that this is necessary for the invention to be utilized. The substance of the patent, the drawings and specifications, is not sufficient to get people, companies or individuals, to appreciate what the invention actually consists of. They have to see it or see it work. More than that, they actually have to know whether or not it will do the job in the marketplace—will it sell or compete. So you actually have to bring it to the point where there is some pilot scale, or market test of the item or the idea. This particular concept would, I think, accelerate this result. That when a patent is granted, you would be able to use it to refine the idea and get the market test. Where now it may take 7 or 10 years for an idea to come to the market, you probably could get it to the market in 2 years.

Senator McCLELLAN. Very well.

Do you have anything, Senator?

Senator BURDICK. No.

Senator McCLELLAN. Thank you, Mr. Hackmyer. If you want to leave anything for the record, we will examine it.

Mr. HACKMYER. Thank you.

Senator McCLELLAN. All right.

The next witness, Miss Mary Bendelari.

Will you come around, please?

STATEMENT OF MISS MARY BENDELARI, NEW YORK CITY

Miss BENDELARI. Mr. Chairman, members of the subcommittee, I am a little bit stymied by the fact that I now hear I only have 15 minutes.

Senator McCLELLAN. Well, we are, too.

Miss BENDELARI. I shall do my best, if you will permit me to make categorical statements of a great deal of directness that I would rather qualify. I have not the time to qualify them.

Senator McCLELLAN. Which bill are you testifying for?

Miss BENDELARI. On the subject of patent fees and their effect on the whole patent system.

Senator McCLELLAN. Very well.

Miss BENDELARI. Now, I am an independent American inventor. My father is an independent inventor. He is a mechanical inventor. I invent what I call gadgets, and I do the designing of commercial objects, mainly shoes. I have done 5,000 creative ideas. The most important thing I have done is what is called the fitted sheet, the bed sheet that is fitted. The figures on that about 3 or 4 years ago, the last time I got them, were $100 million a year. There are any number of other things that I invented which have made whole industries, running any number of factories.

In the 1920's I had a little factory in Paris making handmade shoes, shipping them mostly into this country. I found that my pat-

tern cost, which was enormous, could not be covered because I could not get design copyright protection under the laws of the United States where most of my handmade shoes were marketed. We had what you call a design patent law, which stopped our getting design copyright protection, which Mr. Solberg, then head of the copyright office said we could obtain if we would ask Congress for it. We came down here about 30 years ago and we succeeded in one House in one session and we were beaten in the other House in the same session of Congress. We could not get effective protection for our businesses, so I said at the time, "Most of your small quality businesses in the United States will not survive, nor will your inventors invent, or your designers design."

Every type of small business—I shall not say luxury business, but I shall say to some extent craft businesses, were the result of the boom times in the 1920's, and most of the inventors simply had to go into other fields. They do not design any more without design copyright, they could not make a living. I have not lifted my finger since 1930 on the subject of shoe design or invention, because I see no reason to support the United Shoe Machinery Corp. in the manner in which they think they are accustomed.

Senator McCLELLAN. Support whom?

Miss BENDELARI. The United Shoe Machinery Corp. You do not understand Senator, that my contribution to the women's shoe designs. For 10 years, half of the women's shoe designs in the country were my designs. Now, I have been out of business since 1932, but those shoes are still being made and sold all over the world, those shoe designs. But Congress will not let those of us who create have effective protection. So I am here to ask, first, that this session of Congress pass a law taking off the books the design patent law. When it was put on the books, it was, in effect, design copyright, as we had no search in the Patent Office. Furthermore, there was no Federal copyright office until 1870.

Having studied this very carefully, I find that John Quincy Adams, in effect, thought that he was giving design protection, because about 7 years before, search had been put into the Patent Office. Up to that time patents were only registered, not searched.

Search had been put into the Patent Office only about 7 years before that, in 1836. Up to that time, every thing was submitted without search, patents, copyrights, trademarks, et cetera.

Now, the second thing, I would take the design patent law off the books and have everything under design copyright. Let me tell you the effect of your changing a thing under the law. You had the print and label law under the copyright law and administered in the Patent Office. I got it out of the Patent Office and over in the Copyright Office. In the first year, there were three times as many registrations, proving that the law served the people better in the Copyright Office. The same thing will be true of design copyright.

Now, you pass legislation—that is what you are permitted to do under the division of the powers of Government. But, gentlemen, it is like digging up the cities of Troy. All these layers of legislation do not solve the problems of the inventor. I have had not one cent out of this fitted sheet, not one cent. I cannot get a lawyer who will agree to collect my royalties on that sheet. I can only get a lawyer to

sell my sheet. What good are the alleged laws to me? Do you think that the matter of fees—excuse me, I wish to say this respectfully, but I am very much moved by it. Do you think that the question of fees makes any particular difference? You take the fees off and let the inventors invent and you will take the chains off the progress of America.

Senator McClellan. They are not paying a whole lot now.

Miss Bendelari. I beg your pardon?

Senator McClellan. Apparently they are not paying too much now. They are only paying 30 percent of the cost.

Miss Bendelari. Please. Is not your objective to get the most things invented?

Senator McClellan. Well, that is one of the objectives, of course, of the patent system. But in a patent system that provides protection to the individual who invents, he gets a particular benefit, and I do not think it is altogether unreasonable for him to make some contribution to the cost of operating that system. Maybe it is wrong, but until the Congress decides to abolish all fees we shall continue with the same system we have now. It may some day decide to do that. It may be wise to do it, I do not know.

Miss Bendelari. I would recommend something which can only sound radical to you. I think that if you only filed the pictures of the invention in the Patent Office and then made only the inventors pay whose patents were developed—there are thousands and thousands of patents that are never used in any way. Have patents go into effect for 17 years only; when they are manufactured, not while they sit unused.

The issue of what is invented does not become important until somebody either wants to buy it or steal it.

Senator McClellan. Well, as long as an invention is not used, it is of no benefit to the inventor. That is what you say?

Miss Bendelari. Yes; that is what I am saying. I think people should have the right to register a patent, but I think that the results of your system are totally different now than they were conceived to be at the start of the country. Patents were conceived to protect the building up of small industries, at the start of the country. Now the individual inventor should be the most useful citizen of the country. This gentleman who preceded me made an astute suggestion. You are in a position where when you are considering the fees and the costs of the Patent Office and all those things. Is the object which method will produce the most money for the United States? Is that not the answer?

Senator McClellan. It may very well be.

Miss Bendelari. Well, that is the kind of thing that I——

Senator McClellan. But that is a matter of opinion. Unless the inventor is protected, I do not know whether just a free and open use of an invention would be desirable without any protection—I do not know——

Miss Bendelari. Mr. Senator, I do not propose that there not be patents or protection for the inventor, goodness knows. But I propose a very fundamental reexamination of whether the inventor can be much better served, and you do not serve the individual inventor to any extent under the present system.

The practical problems, from start to finish, and this is not in condemnation of the Patent Office per se, but of a system which is totally unrealistic. You either tie the inventor to a single industry because that is the only place he can make a living, and his output is limited by what his boss can make a profit on. An independent inventor can make many times as many patents.

Senator McCLELLAN. What is there about our system that prevents independent inventors, if that is the proper term, from making an invention, after inventing something, getting a patent on it and marketing it? What is there about our system that prevents that?

Miss BENDELARI. Mr. Senator, one thing very definitely. When you put a patent out to be freely searched by everyone to see how it can be made a different way, you fundamentally defeat the objective of protecting the inventor.

Senator McCLELLAN. Then would you recommend that all patents be kept secret?

Miss BENDELARI. I would recommend it with this qualification, that when the problem comes up of the patent being used, merchandised, then the question of how broad the patent should be, be taken up.

Senator McCLELLAN. How are you going to keep it secret and market it at the same time?

Will not the information as to what it does, how it operates, what it is proposed to do and accomplish, will that not become known as you try to market it?

Miss BENDELARI. If I had been able to go out with that drawing into the market with that sheet, I would not have had to be supported for all these years while I found out what was wrong with our system, which I now know.

Today, those drawings on patents are outlawed by the courts. There was an actual case in 1929 before the court of New York State, where it said that any document in the public domain without a copyright notice belonged in the public domain. That immediately covered the picture on patents. My patent was issued 3 years after that. How can you take away from us what the Constitution has given us? That drawing is my writing.

Senator McCLELLAN. Well, if we have done that, I think a court would afford you relief. It would be the duty of the court to do it, if we have taken away some constitutional right.

Miss BENDELARI. This is my property. It has never been so declared by the Government. Why must I go in and fight those who have stolen it from me?

Senator McCLELLAN. What can we do about it? You have courts to settle those issues.

Miss BENDELARI. You have to find some other way to do it, because you now are merely pitting the inventor against the pocketbook of the man who steals the inventions. That is the net result.

Senator McCLELLAN. What is the remedy?

Miss BENDELARI. I would have the Government collect the royalties due to the inventors of the things that are used, and at the same time they can collect the taxes.

They might be pleasantly surprised with how much more, in taxes, they would collect.

Now, these may sound extremely radical as suggestions, but I spent 30 years trying to find out why the life, liberty, and pursuit of happiness that was intended for inventors and designers was kept away from them by many and devious things.

If I may digress, my father is 92 now and he is in the last stages of his life. His contribution was a mining jig for the recovery of free metals. If there had been a mesh with 600 holes to a square inch manufactured at the time of his patent, even then the companies could not have recovered all of the free gold that his jig saved. Now, we find, after the patent has long since expired, that he was denied a basic patent and all these other patents which have been issued since by which the revenue would have kept all of us well, was denied by the Patent Office. If you had your issue of a patent as a live thing when these things come up, you could say, well, you could have done this and you could have done that and you could have done the other thing.

You are speaking of a thing face to face. My father lives out in a little western town. We did not know all these mechanics of things he could have done. So I do not think the things that are offered by the Patent Office are proper things.

I say, with very deep consideration, you can pass laws until the cows come home. But unless you get some more fundamental facts on what we actually have to face, you cannot have our inventions. I have an invention now that I have held for any number of years. I have proof on it. It relates to the making of things in mass production. What is the use of my bringing it out?

I won't get the money from it.

Senator McClellan. You have had a different experience, it seems, from most other inventors.

Miss Bendelari. Most of them? No, sir; not from what I hear. Certainly this is not the experience of independent inventors. There are just two inventors in our family, and we have found that the system, and the laws do not sufficiently protect, to make a living as independent inventors. I will quote Dr. Seuss of the Children's Books. You may know those illustrations. He and his wife said:

> What is this? Why is there protection on the printed word and no protection for a thing when it is a picture?

That is the fact under our law. Until the opposite is true, and I think any worded claims on an invention that are presented outside the picture are unimportant, they are merely the interpretation of a lawyer, able or not able. They are not my writings. Only those drawings are my writings. And until the whole basis of the patent system is that, you cannot get people to invent. They cannot afford to. To have to fight for our own property is no answer.

Senator McClellan. Well, somebody is doing a lot of inventing in this country.

Miss Bendelari. That is very true, Mr. Senator. But I want to tell you that you are not getting a fraction of the inventions you could get if the emphasis was different than it is. I am not saying necessarily that I have all the right answers, but I have one answer. Originally actual patents models were required. We have the models at the Smithsonian. There was not any question, then, about what was in that patent. It could not be written in and out and it

could not be taken by somebody else who searched that patent and then wrote a patent around it.

Senator McCLELLAN. You think that is one of the great faults of the system now, that they can take the written description of it and write another one around it?

Miss BENDELARI. They take the idea, Mr. Senator, and write another patent.

Senator McCLELLAN. I am not arguing that point. You may have a very potent argument on that issue.

Miss BENDELARI. Mr. Senator, I heard you this morning say how could you get the opinions of the inventors themselves. Well, I just tell you my experience. My father and I are prolific producers of inventions. We could not afford to put them on the market. We found that we could not market them, that the profit was not for us, and until that is not so—you think that this is a great country and our progress is phenomenal? We have created a Russia out of our patent system.

Mr. Senator, I do not want to presume on your time, because you asked us to limit our time.

Senator McCLELLAN. Well, I tried to indulge you a little on it.

Off the record.

(Discussion off the record.)

Senator McCLELLAN. This particular bill is not one designed to revise the whole patent system, it is only one designed to raise a larger proportion of revenues from the inventor, while you have some philosophy about a revision of the whole system. That is the import of your testimony, as I have gathered from it. As I said this bill is not intended to try to be that broad. If you care to implement what you have said with a statement for the record, we will be very glad to receive it and put it in the printed record.

Miss BENDELARI. Thank you, Mr. Senator.

Senator McCLELLAN. Thank you very much.

(Subsequently the following supplemental statement was received and is placed at this point in the hearing record by order of the chairman:)

SUPPLEMENTAL STATEMENT OF MISS MARY BENDELARI

Mr. Chairman, you have given me the courtesy of digressing from the text of the bill to what I see as the consequences of its meaning. I would like to conclude, in that sense, if I may.

So rapidly is change today that lack of proper action by the country, in regard to her creative people, could, in 30 years, change this country into a second-class power. Beginning about 30 years ago, both positive action, and elsewhere criminal lack of action, has badly warped the orderly progress of our country. I am speaking now in regard to the work of the creative people.

Government has become so big that Congress has lost touch with the people. The people have thus lost touch with their Constitution. The result is that one-fifth of our people live in outright poverty, and half of the people of our country are on a treadmill, barely making both ends meet.

Our creative people, even those who occasionally strike it rich, live in a world of insecurity. This is due to actually inadequate comprehension, or lack of regard for them, by the Government of the country.

Except for your courtesy I could only speak of the letter of the law, about which there is much doubt. This bill has kicked around Congress for 15 years. Another year, to find a more realistic approach, won't hurt.

In the bigness of Government, I am faced with the fact that I can only discuss a bill, outside of your courtesy to me.

Yet for years many people have been shocked, alarmed, and amazed at everything about the total treatment of the creative people. The results of that inadequacy are deeply etched in the lives of every American. Help has been given creative people in alomst eyedropper proportions. Yet they create the wealth of the Nation. Polite charity is given the creative people in the form of meager honors.

As to marketing, by temperament creative people prefer only to create. The burden of running a business and marketing a product is not the true work of the inventor, or creative people. I did it for 10 years.

The creative people would be much happier and the country richer if the Government could work out a system where protection would be clear and enforced.

If business used a piece of work, business should pay and no fooling.

The dishonesty of denying adequate laws, backed up by effective Government protection, protection to their property, has grown to breathtaking proportions.

The creative people are the creators of our wealth.

Yet the Government, by lack of action as much as anything else, permits this property to be taken by others.

One finds laws are not to protect rights, but mere shells that can be used by privilege. Courts, in our case, have become interpreters of fantastic legal sophistries.

There should be in the Patent Office a reviewing board so that all patents are alive and the Patent Office should have a system of catching and rectifying its mistakes.

Law is a thing that does not bend. But only when truth is protected in court is it shown what areas that law does not cover, or the use to which law has been put, which makes the effect of the law into a lie.

To me it is alarming that Congress has lost touch with the people's need, and the Constitution. This Government was and is to be the final hope of mankind.

Yet with all that is widely known, Congress voted $48 million for a Patent Office to house a system that has been out of date for at least 50 years.

Here is a bill to burden some budding Edison, or Ford, or Steinmetz, who may live in poverty-stricken Appalachia.

It is commendable that the Government is finally dishing out money to help these people. This is being done as if there is no comprehension that their plight is the result of laws, or lack of laws, that the people need.

Yet danger signals, the surface manifestations of much more serious causes, are paid to by Congress.

Senator McCLELLAN. All right. Mr. Dunham, will you come around, please, sir?

STATEMENT OF ROBERT S. DUNHAM, ASSOCIATION OF THE BAR OF THE CITY OF NEW YORK

Senator McCLELLAN. All right, Mr. Dunham, do you have a prepared statement?

Mr. DUNHAM. Yes, sir; I am here on behalf of the Association of the Bar of the City of New York. We have filed a statement, a letter, and a supplemental memorandum and I would very much appreciate those being put in the record.

Senator McCLELLAN. They may be placed in the record and you may now proceed to highlight it.

(The material referred to follows:)

THE ASSOCIATION OF THE BAR OF THE CITY OF NEW YORK,
New York, February 26, 1964.

Hon. JOHN L. McCLELLAN,
Chairman, Subcommittee on Patents, Trademarks and Copyrights, Committee on the Judiciary, Senate Office Building, Washington, D.C.

DEAR SENATOR McCLELLAN: The Committee on Patents of the Association of the Bar of the City of New York, being charged to examine pending patent

legislation and authorized to promote or oppose it on behalf of the association, has considered at length the Patent Office fee bill, H.R. 8190.

In the course of its meetings on this subject, the committee has voted unanimously in favor of an increase in patent fees. Indeed it is realized that the imposition of fees upon applicants for patents has historical justification and that substantially increased fees may well be warranted.

The committee, however, is unanimously opposed to and deeply concerned by two particular sections of the bill: to wit (*a*) provisions of paragraph 2 of the proposed amendment of section 41, title 35, United States Code, that provide for increasing the issuance fee of a patent by $10 per printed page, and (*b*) the provisions of proposed section 155 relating to maintenance fees.

We also suggest below that if within the overall plan of the bill for increasing fees in numerous ways, the income which would stem from these two areas is considered essential, there are other modes of securing it.

Whereas many other parts of H.R. 8190 seem plainly and simply directed to the desired purpose of administrative revenue, we feel that the above two provisions ignore the grand objective of the patent law, which is to promote the advance of science and the technological arts by inducing inventors to make complete and early disclosure of their inventions. Such disclosures in patents are indeed a basic matter of public interest.

Strongly paramount in importance to the public, therefore, is the completeness of the descriptive portions of the patent specification, because it is this descriptive part of the patent that informs the public as to the details of the invention. We believe that a charge or penalty assessed against the patentee for extension of description is inimical to the interest of the public in that it deters inventors from giving full information as to the invention and its various ramifications, which is a prime reason and justification for the patent system.

We are most hopeful that, when your subcommittee and the Senate Judiciary Committee consider H.R. 8190, the fee bill, they will keep in mind the paramount interests of the general public to be informed early and fully as to the nature of a patentee's invention without the imposition of charges based on extent of disclosure which would strongly tend toward limiting the descriptive portions of patents.

Our committee is also concerned over the effect of those provisions in H.R. 8190 which have to do with periodical maintenance fees. The committee opposes patent maintenance fees in principle. We believe, in the first place, that the imposition of such fees or taxes would delay or prevent disclosure of inventions. It would undesirably furnish, incentive for an inventor to withhold the filing of a patent application until he is convinced that the exploitation of the patent would be financially successful to him. This would result at best in delayed disclosure of many inventions of great informational value. We believe there have always been a vast number of patented inventions which are not immediately assured of commercial success.

A maintenance fee system undesirably discriminates against individual inventors and small businesses. It operates to their detriment to a far greater extent than it would against large corporations. The individual inventor and small companies which only occasionally obtain patents will be considerably burdened in determining whether or not the patent should be maintained and in paying the respective fees. Added to the burden would be the expense of maintaining a check upon the due dates of the fees and in paying legal expenses involved in administering and complying with the program. Thus there would be legal fees in connection with the consideration of the chances of commercialization, in preparation of affidavits indicating that the inventor had not received substantial recompense, and in general supervision.

The committee is also of the opinion that the income to the Patent Office under the proposed maintenance fee schedules would be considerably offset by the cost to the Patent Office of administering the system.

We further believe that the repressive aspects of maintenance fees or early disclosure and their discriminatory burden on small businesses and individuals heavily outweigh any supposed advantage of delayed payment. In essence, maintenance fees tend to destroy the incentive to disclose and inform the public upon which our patent system was erected, a system which has long endured, which has most significantly contributed to advancement of the useful arts, and which has kept us in the forefront of progress among the nations of the world.

Further detailed explanation of our views, respecting both the $10 printed-

page charge and the maintenance fee provisions of H.R. 8190, will be found in our supplementing memorandum herewith.

As we have said, the historical basis of patent fees and a present need to increase them are recognized. However, we consider that the time-honored nature of the fees should not be revolutionized for the sake of income alone, and should particularly not be changed in ways which would undermine the principles of the patent system.

It appears to us that if added revenue in the above two areas of H.R. 8190 is deemed critical, simple alternatives are available that would avoid jeopardizing the interest of the public in early and complete disclosures. For example, instead of the printed-page charge, which the bill adds to a greatly increased basic issue fee, such additional charge would be better measured by the number or excess number of so-called claims of the patent. Considering an average patent of say three or four printed pages, with seven or eight claims, such alternatives could yield total fees approaching, in large part, the printed-page fee, and would have the administrative virtue of allowing exact determination of the entire issue fee before the patent is printed.

Another suggestion, if income is needed as alternative to the maintenance fees or otherwise, is that such be obtained by raising the charge for ordinary printed copies of patents distributed by the Patent Office, and thereby spreading a part of the expense of the patent system among those who benefit by the disclosure rather than against the patentee alone.

For instance, an increase in the charge for copies of patents (other than design patents) from the present 25 to 50 cents and an increase in the charge for design patents from the present 10 to 20 cents would appear to raise substantially the same amount of money as would be obtained from the proposed maintenance fees and without any increase in administrative expenses to the Patent Office.

Further details of these suggestions for alternative fee increases, and of the revenue likely to be produced, are submitted in our accompanying memorandum.

In the two respects wherein we believe that H.R. 8190 departs from the underlying basis of the patent system in furnishing incentive for full, complete, and early disclosure of novel and unobvious subject matter, we strongly oppose these two provisions of the bill and sincerely hope that you and your subcommittee will deem it proper to exclude such provisions from this or any other Patent Office fee bill which may gain the approval of your subcommittee.

Very truly yours,

JOHN T. KELTON,
Chairman, Committee on Patents.

SUPPLEMENTAL MEMORANDUM IN SUPPORT OF OBJECTIONS TO TWO PROVISIONS OF H.R. 8190 BY COMMITTEE ON PATENTS, ASSOCIATION OF THE BAR OF THE CITY OF NEW YORK

I. INTRODUCTION

Serious objection is here presented to two provisions of the bill, which though purportedly designed to serve two of many areas of increased revenue for the Patent Office, in fact contravene the basic public policy of the patent system. Indeed they would seem to produce essentially no more money than could be obtained, if these parts of the total increase are deemed necessary, by certain simple alternatives that accord much better with the real interests of both patentees and public.

The first objection is to the provision in the first section of the bill, item 2, for a fee of $10 for each page of printed specification, in addition to a basic patent issue fee of $75 and a charge of $2 for each sheet of drawing. Note that the schedule actually imposes a basic or minimum fee of $85 (since every patent has at least one page), plus $10 for each printed page over one. This $10-per-page printing fee, charged to the inventor, will penalize and indeed discourage his making the full disclosure and explanation of his invention that is the very essence of what the public gets—and what the patent system seeks in the public interest—for giving him a limited monopoly. At the same time, whereas the inventor has no need for printed copies of the description he filed, and the formal patent grant could be made as well with any single copy of his text, it is basically the public alone that uses the printed patent copies and benefits from them.

The second objection is to the maintenance fees in sections 6 to 8 of the bill, a thrice-repeated and rising tax, aimed especially at those patentees who happen to have made good and truly useful inventions. As has been explained at

length, a basic difficulty with these fees is that they discourage the filing, especially the early filing, of patent applications, and thereby contravene the important public interest in prompt and unhampered disclosure of inventions.

Even when applications are filed, and even assuming that the deferred-payment aspects are useful rather than mostly illusory as explained below, the scheme of these fees seems basically unfair. The individual with a profitless invention can defer these fees for 13 years and then drop his patent without any payment, but the inventor who has made a valuable contribution, as measured by its commercial success (accompanied almost certainly by substantial income-tax revenue to the Government), is hit with this special set of fees, totaling $300, or his patent is forfeited. Thus a penalty, in effect, is imposed on the very genius which the patent system is designed to encourage; i.e., inventors who have actually succeeded, rather than failed, in advancing the useful arts.

Aside from these considerations of public policy, the maintenance fees are nuisance taxes of a basically bad sort, and would obviously entail much administrative expense in the Patent Office, including notices to one or more parties in each of more than 150,000 patents every year.

Although other fee increases in the bill, including the application filing fees, the miscellaneous items such as recording and appeal fees, and especially the basic issue fee (raised from $30 to $75 or $85), would seem to provide a large rise in income from Patent Office services, any curtailment of the expected monetary results, due to deletion of the two objectionable provisions, could be substantially compensated by suitable alternatives therefor, the following being suggested:

(A) In an area of Patent Office service rendered most largely to the public (in distinction from patentees as such), an increase in the price of ordinary printed copies of patents; viz, from 25 to 50 cents for regular patents, and from 10 to 20 cents for design patents.

(B) In the issue fee, predicate any addition to a basic charge (and the drawing charge, which may be innocuous) on the claims or their excess rather than the number of printed pages, such being in effect the scheme under present law and also in the filing fee section of the bill. The claims are brief summaries of the invention at the end of the patent, in their number a measure of the kind of protection awarded. Thus for example:

(1) One schedule would be to have a basic issue fee of $85 (which the bill now in fact provides, as explained above) plus the $2 drawing-sheet charge, plus a charge for extra independent claims and for claims over 10 exactly as in the filing charge of H.R. 8190 (p. 1, lines 7 to 11); or

(2) An alternative schedule would be to have a basic issue fee of $75, plus the $2 drawing-sheet charge, plus a simple charge of $5 per claim (instead of $10 per page). Whereas patents have been said to average four pages of text, for a printing charge of $40 under item 2 of H.R. 8190, they are also believed to average seven or eight claims, for a corresponding claim charge of $35 or $40, under this alternative.

II. FURTHER COMMENTS IN OPPOSITION TO PRINTING FEE PER PAGE OF SPECIFICATION

1. As stated above, this provision would plainly tend to discourage inventors from filing a specification of sufficient length to describe their inventions adequately. Indeed, this special fee of $10 per page, on issuance of the patent is in derogation of the express requirements of the patent law, 35 U.S.C. § 112, which provides: "The specification shall contain a written description of the invention, and of the manner and process of making and using it, in such full, clear, concise, and exact terms as to enable any person skilled in the art to which it pertains, or with which it is most nearly connected, to make and use the same, and shall set forth the best mode contemplated by the inventor of carrying out his invention."

2. The basic purpose of the descriptive part of the specification, which is all but a small fraction of the printed patent text, is for the benefit of the public, not only in telling everyone how to use the invention when the patent expires, but also in contribution to the general knowledge of technology, for the sake of everyone concerned. Indeed, under this section of the bill, the inventor who does most for the public, in describing his invention most fully, is in effect most heavily penalized.

3. It has long been recognized by the courts that a basic principle of the patent system is the grant of a limited monopoly in return for the patentee's disclosure

of the invention to the public. Under the printing fee provision, inventors will tend to abbreviate and curtail their disclosures, to the public detriment.

4. In foreign countries, the tendency of patent applicants is to file very short, abbreviated specifications, a result which may be at least in part ascribable to the printing fees required in some countries. In any event the defective nature of these abbreviated foreign patents has long been recognized by the courts in this country, even to the extent of characterizing foreign patents per se as being, in effect, technological disclosures of little value. It is plain that full and complete disclosures, in patents, are the essence of the American patent system.

5. Even from the standpoint of the patentee's own protection, it has been the law that an incomplete disclosure is a ground for invalidity or restriction of the patent. A fee schedule should not be established which would tend to penalize most heavily those inventors who best strive to comply with the legal requirements for a valid and effective patent.

6. If it is thought that this printing fee would have the beneficial effect of curbing those few inventors or attorneys who may draft unduly prolix specifications, it cannot be disputed that the Patent Office has other ways, indeed under its general examination authority, of compelling deletion of unnecessary matter. If this is a problem of significance, it should and can be dealt with in a more direct fashion by the Patent Office, without need for legislation, and should not be an argument for a fee schedule which contravenes the true public interest.

7. If it is important that the Patent Office have the revenue which would be provided by these printing fees, such revenue could be realized in other ways (e.g. as suggested above), as by fees measured by the number of claims in the patent or by excess number of claims (as the bill now provides for filing fees), or as by increased fees for printed copies of patents, the latter being a direct way of recovering printing costs from those who benefit in buying the printed copies. As will be appreciated, the claims of a patent are abbreviated definitions of the invention, which actually determine the scope and nature of the patent grant and to a very real extent the number of the claims is a measure of the value of the grant to the inventor, in proportion to the complexity of the invention.

8. The $10-per-page printing fee will require additional bookkeeping and clerical work by the Patent Office, which must collect the final or issue fee in two parts; i.e., first the base fee of $75 before the patent issues, and then the printing fee after the document has been printed and the pages are counted. Being a fee for pages as printed, the patentee can never know it in advance. Under either of the above-suggested alternatives or any like provision based on the claims, the fee would be determined as soon as the patent application is allowed, since the number of claims and the number of sheets of drawing are then fixed, and the applicant can compute it for himself, as he does now under the present schedule of a base fee plus $1 for each claim over 20. There would be no delayed calculation or special billing required of the Patent Office, in contrast to the extra administrative expense entailed by the per page printing fee. Finally, there would be no danger that a future administration might seek to raise fees by the expedient of using larger type and wider margins in printing.

III. FURTHER COMMENTS IN OPPOSITION TO MAINTENANCE FEES

1. Maintenance fees, paid at periodic intervals after the grant of a patent, i.e. at successive periods of several years, represent an innovation in the American patent system, which has always been distinguished by its absence of requirement for this kind of nuisance taxation. Whereas it may be that inventors have been able to live with maintenance fees in foreign countries because they have no other choice, it is felt that the tremendous growth of technology in the United States over a century and a half is in no small measure related to the relatively free and unburdensome nature of the patent system. These taxes, for they are essentially nothing less, will place a heavy burden on small businesses, which as assignees of patents cannot obtain any deferment and which are far more dependent on their patent portfolios than the industrial giants upon whom these maintenance fees would not weigh so heavily in proportion.

2. It is readily apparent that this burden of maintaining issued patents, being a very real one at a total further cost of $300, will discourage inventors from applying for patents, especially in the case of small businesses and likewise independent inventors. While the inventor, under the technical provisions of the bill, can theoretically defer payment of the first and second maintenance fees upon making a showing by affidavit that neither he nor any other party having

an interest in the patent or under it has received as much benefit in value as the amount of the fee, this is largely an elusory sort of protection. In order to prepare an affidavit properly and truthfully, under these nebulous provisions, the careful inventor will have to hire a lawyer, and perhaps even an accountant, and it is quite apparent that the saving of $50 or $100 in fees to the Patent Office would be in part or wholly dissipated in attorney's or accountant's fees. To say the least, this is a wasteful provision, benefiting no one, and indeed severely penalizing the inventor.

3. It has been argued that the maintenance fees should be regarded as a deferment of the cost of operating the Patent Office and thus of a deferment of the cost of obtaining a patent. However, if the theoretical effect of the maintenance fees is correct, and large numbers of patents are dropped because they are not worth the payment of such fees, there is an anomalous result that those who contribute most to technology are heaviest burdened. The genius which the patent law seeks to recognize is thus penalized if successful; i.e., if there has been an accomplishment of the very results sought by the constitutional provision for promoting the progress of science and the useful arts. As indicated above, it is certain that all cases of successful inventions represent increased income to patentees and patent owners, and it is easy to conceive that the resulting income tax revenue is far greater than anything achieved by these maintenance fees. Indeed it is a fair guess that the income tax revenue directly chargeable to patented inventions would many times over pay the cost of operating the Patent Office.

4. The revenue raised by maintenance fees is highly speculative, it being fully recognized by the proponents of this provision that a large proportion of patents will be allowed to lapse so that the fees will only be paid by far less than the total number of issued patents. Morover, it is plain that a large administrative cost will be imposed on the Patent Office, which must maintain bookkeeping accounts for each issued patent and which must send notices to patentees and everyone else interested in a patent, every time a fee is due. This means one or more such notices in at least the case of 150,000 such patents per year. At the same time, similar recordkeeping is imposed on patentees themselves, requiring administrative and clerical work of the sort which has already overburdened all segments of industry, large and small, with respect to countless varieties of taxes and fees.

5. A great deal of argument has been presented that the maintenance fees would weed out dead patents and somehow relieve the Patent Office of "maintaining" unnecessary or "zombie" patents. It has been said that this would save the Patent Office the burden of searching these patents in connection with new inventions. All of this is absolutely without foundation. Once a patent has issued, the Patent Office has no further care, charge or interest, except to keep the record of the patent in its files—which it would have to do whether or not the patent has lapsed. There is just nothing at all that the Patent Office does in respect to "maintaining" a patent. So far as searches are concerned, the fact of the expiration or lapse of a patent is of no significance at all. A new patent application must be searched against all patents of the related art, whether old, recent, expired or unexpired. The Patent Office does not determine, and is not required to determine, whether a new application infringes a prior patent; the only question is whether the invention is new and unobvious, over the disclosures of prior patents and publications, including patents which expired 100 years ago as well as those that were granted last year. Hence there is absolutely nothing to the argument that the Patent Office operation will be convenienced or economized in the slightest extent by any "weeding out" of patents.

6. In summary, maintenance fees are a burdensome, wasteful, and pointless concept of taxation, and directly contravene the public interest in that they would delay and discourage the disclosures of inventions. If this minor segment of added Patent Office revenue is deemed necessary, other and more reasonable sources can be found, such for example as the suggestions we have noted above, including the doubling of the present very modest charge for printed copies of issued patents. Indeed it appears that the latter change alone would more than equal, in net effect, the pecuniary benefit to the Patent Office from maintenance fees. In any event, we feel that these maintenance charges or taxes are so alien to the true public purposes of the patent system that their deletion from the present bill is imperative, regardless of minor considerations of income to the Government.

31-301—64——15

IV. APPENDIX

A. Suggested amendments to H.R. 8190

1. For purposes of removing the per-page printing charge to each patentee, the amendment should strike out, on page 2, lines 4 and 5 of the bill: "$10 for each page (or portion thereof) of specification as printed,".

If a substitute charge related to the claims is desired for revenue purposes, either of the following further amendments is suggested:

(*a*) Page 2, line 4, strike out "$75" and insert "$85"; lines 4 and 5, in lieu of above-stricken wording ["10, etc."] substitute "$10 for each claim in independent form which is in excess of one, and $2 for each claim (whether independent or dependent) which is in excess of ten,". This keeps the basic final fee at $85, as it now is in the bill in effect, and adopts the same extraclaim charge as the bill now recites for the original filing fee (page 1, lines 8 to 11); this plan follows the precedent of the bill itself and also that of the present law wherein the claim charge is the same for filing and final fees.

(*b*) As an alternative to (*a*): Page 2, lines 4 and 5, in lieu of above-stricken wording ["$10, etc."] substitute "$5 for each claim,". While the minimum total fee under this alternative would be $80, most patents have at least 2 to 5 claims, and the average appears to be even more, as explained earlier in this memorandum.

2. If the suggestion to increase the cost of printed patent copies to the public is adopted as affording major compensation for the revenue expected from per-page fees and especially maintenance fees, amend as follows: Page 3, line 10, strike out "25" and insert "50"; same line, strike out "10" and insert "20".

3. For deleting the maintenance fees, amend as follows:

Page 6, line 12, strike out "and maintenance fees".

Pages 6 to 9 inclusive, strike out the entirety of section 6, 7, and 8, beginning page 6, line 14, and extending through page 9, line 22.

Page 6, line 8, strike out "sections 4, 6, and 8" and substitute "section 4".

B. Special comment on suggested substitute provisions

1. It is readily apparent that final fee charges based on extra claims or all claims would produce substantial revenue, either in the same manner as presumably contemplated for such charges in filing fees in the bill, or as explained earlier above.

2. The suggested doubling of the charge for printed patents sold to the public, a wholly reasonable increase, would appear to provide more pecuniary benefit than the maintenance fees now in the bill.

Apparently the annual revenue expected to be received from these maintenance fees is about $2,850,000, as appears from page A251 of the Congressional Record for January 22, 1964, and as also was expressly stated on the floor of the House by reference to the House committee report, e.g., page 894, for January 22, remarks of Mr. Casey (col. 2). According to other figures in the table on page A251, mentioned above, this amount of revenue could simply be raised by doubling the charge for printed copies of patents, as suggested in our recommended amendment (which corresponds to the provisions in the alternative bill discussed on pp. A250 and A251). Specifically, the Patent Office now receives something over $2,850,000 from the sale of patent copies and twice this would add an amount equal to the sum expected (in future years) from maintenance fees. Furthermore, this source of revenue would involve absolutely no additional administrative expense to the Patent Office. Thus instead of something considerably less (by reason of the clerical cost) than the stated income from maintenance fees, the present proposal would raise more money. Manifestly, this added charge for printed copies, which are provided for the general public, is something that the general public could quite logically be expected to pay, in contrast to a burdensome and disproportionate penalty on patentees.

Mr. DUNHAM. My name is Dunham, Robert S. Dunham. I am a member of the Committee on Patents of the Association of the Bar of the City of New York and, as you know, it has about 8,500 lawyers. I am substituting for Mr. Kelton, chairman of the committee. I have been authorized to speak for him on behalf of the bar association on patent legislation matters.

We are particularly directing our thoughts to H.R. 8190. I might say at the outset that we are certainly in favor of increased fees and we

realize that a substantial increase is necessary in patent fees. Furthermore, we have tried to confine our attention to the bill to, actually, two parts that we think affect the public interest, having in mind that at the present stage of this bill, if we are to persuade or have your committee see the merit in changes, we do have problems in the fact that the bill has been passed by the House.

Senator McClellan. It would have to go to conference if we seriously amended it, I am sure.

Mr. Dunham. Certainly.

To get to what we have in mind, these are two points. One of them is the maintenance fees which I shall come to. The first one is the provision in the issue fee that requires a payment of $10 per printed page of the specification. I think some of the other witnesses before you had objected to that. We feel that in principle, this is most unfortunate in that the general concept of the patent law is, particularly in this country, to provide a full and complete disclosure of the invention for the benefit of the public. The printed part of the patent is largely the description of the invention. This is the disclosure that the public gets. Not only does the law explicitly provide, as we have explained in our memorandum, that this must be a full, complete, and of course concise and exact description and tell exactly how the invention can be carried out and what is the best mode that the inventor conceives of carrying it out, but the Patent Office has additional rules on the subject and the law has developed, and I can even give your counsel citation of authorities on this matter of disclosure if he wants them. They put a tremendous burden on the applicant for patents to give a full and complete disclosure.

In this respect, I might point out that the patent system in this country differs from that system in many countries abroad where it is the practice to file relatively skimpy disclosures. Everybody rushes into the Patent Office with a skimpy disclosure. I think there is even some philosophy abroad on the part of applicants for patents that the idea is to conceal as much as you can rather than disclose them. Here, the burden is on the applicant to tell everything.

Now, this particular provision of the bill penalizes the applicant and puts a penalty on him in the amount of description that he has. The Patent Office has said, well, we want to cut down the length of disclosures. But on the other hand, in all kinds of patent applications, there is a tremendous contrary burden on the inventor and his attorney, and I speak for lawyers who have to do this kind of work, as you well know, to be sure that everything is in there that may bear on the invention and that may have a bearing on the validity and the scope of this patent when it issues.

Now, by way of being constructive, a perfectly simple and small amendment of this bill would take care of this problem. That is, if in the final fee provisions, instead of measuring this part of the fee by the printed pages, it is measured by the number of claims, the penalty is then not on—there is no penalty then on the extent of disclosure, which is the thing that is in the public interest. What it is measured by is the number of claims, which is for the benefit of the patentee. That is what he gets.

Now, we have suggested in our memorandum simple amendments to that effect. I think we also point out that by and large, this will

accomplish by this section of the final fee the same amount of revenue and will have essentially the same scheme as the final fees now set up. The minimum fee, issue fee that anybody will pay under this bill is $85, or $75 plus one page specification. If under one alternative we suggest the charge be $5 per claim, the minimum would be $80 or $85 for one or two claims and it will go up proportionately.

Mr. Hollomon, who testified for the Patent Office, said that, in general, the more complicated inventions had more claims. So as far as the Patent Office is concerned, this would produce the same amount of revenue.

Actually, take their own figures as to the average number of pages, which is 3½ or 4, the average number of claims, which is about 7—I might say my own random sampling agrees with theirs—it is about 7 or 8 claims per patent. So if, for example, you had a $5 per claim fee, this would produce in this section of the fee $35 or $40, which is what the four pages would produce. We also suggest another alternative, which actually would be a duplication of the provisions in the filing fee for extra claims. Now, some people may object to that because it deals with this so-called penalty on independent claims, but it is quite feasible in the final fee. In that event, you would have to raise the base final fee to $85.

But we have explained that in detail in our memorandum and I can give you the exact pages where we set that out. But we do feel quite strongly that the penalty on disclosure is one that is very much against the public interest.

I might point out that there is another feature in this change which is of advantage. Under the bill as it stands, the fee must be computed in two parts: First, the applicant pays $75. Then after the patent is printed, the Commissioner counts the number of pages and sends him the bill for the balance. If the fee is allocated or measured in some way by the number of claims rather than the printed page, all the fee can be determined in advance. The applicant can determine it for himself. He does not have to wait until the patent is finished to find out. This is an administrative advantage, I think.

I think these two alternatives we have suggested for the issue fee proposal are explained on pages 4 and 5 of our supplemental memorandum. And we even make so bold as to suggest the actual amendments on pages 14 and 15.

We also, and this is on behalf of the association, feel quite strongly that maintenance fees are an undesired innovation in the patent system of this country. So much has been said here already that it would be redundant for me to repeat a good many of the comments and arguments made. We do feel, though, that one of the difficulties of the maintenance fee system is that it puts a penalty on the successful inventor, the one who has made the real contribution that the patent system is designed to produce.

Senator McClellan. Would not the fellow be willing to pay that much fee, though, to be successful?

Mr. Dunham. It may well be, but I can see the inventor coming to me and——

Senator McClellan. I am not arguing the point particularly, but it seems to me a fellow who tries and does his best, and he gets a patent that may not work—I mean it may actually not produce the great

benefit to humanity that he thought it would, and so forth, so he has already been out his money trying, while another one right beside him comes along and he happens to hit on something that happens to be of great benefit. It seems to me it is not asking too much of him to pay a little extra.

Mr. DUNHAM. Well, I can see that point, Mr. Chairman——

Senator MCCLELLAN. The other way you suggest is absolutely fair, make them all pay and take their chance. But when you pass the collection plate, the fellow who is most prosperous is willing to contribute a little more than somebody else.

Mr. DUNHAM. I understand that, but I can see a fellow coming in to see me and asking what the cost is of a patent application, even a small businessman and we come to this maintenance fee and he says, what is that? I explain to him that the maintenance fee has been applied to cover the cost of the Patent Office and he says, "What, $300?"

I say, no, that is because a lot of patents will lapse and they will not be going into use and in order to raise enough money this way, it has to be up around $300.

He says, "What do you mean? I am the one who solved these problems, why should I pay the freight when all these crackpots dodged the fee and paid nothing?"

Senator MCCLELLAN. I remember when I practiced law I sometimes charged the fellow less when I did not win than I did those who were fortunate enough to have us win the case for them.

Mr. DUNHAM. I think we all do.

Senator BURDICK. Do you think your client would feel any better if you told him the $300 was the initial fee?

Mr. DUNHAM. I think not. And even as a deferred fee, he already has the mixed blessing of the higher tax bracket he is going to be in from the invention.

I think one other thing that perhaps has not been mentioned. We think—that is, our group—feel that the maintenance fees will delay, these extra dollars will delay the filing of the patent applications. That is to say, in the case of small businesses or independent inventors, it very often happens that a patent application is not filed as promptly as it might be simply because the inventor or the owner of it does not see at that time enough commercial prospects to justify going into it. In determining that question, he weighs all the costs of the patent. Whereas there are hazards in delay, and as attorneys, we always have to advise him what risks he runs, in not filing his patent application promptly. The fact is that right now the filing of applications is sometimes deferred. It happens all the time.

I had a client not long ago who waited until he could find somebody, a prospective licensee who could put up some money for him. This often happens.

Now, we are adding another future cost, another item of cost to patents. It is not inconsiderable. The Patent Office fees are going up, going up quite substantially. Furthermore, the maintenance fees are an area where, particularly if the patent is assigned, we are going to have to decide to pay this fee. Everybody looking at a patent is assuming that he is going to be paying in the future, he will either have developed the patent or more likely the patent may still be in

the state of uncertainty. So he has to figure on this maintenance fee as a part of the cost. We honestly feel that this will be another item that will delay the filing of patent applications.

Now, Mr. Newman yesterday, I think, speaking for the Patent Office Society, indicated that one of their objectives was to hurry up the work of the Patent Office, which is a good thing, to get, as he said, disclosures into the hands of the public sooner. Of course, we feel that it is really quite significant that the maintenance fee system will delay filing of patent applications and will therefore delay getting disclosures into the public hands.

I am not sure that point has been raised here. I simply add it to what has been said. A lot of people have made cogent observations on the maintenance fee system.

I would like to make one point in connection with foreign systems, because there has been a good deal said about the maintenance fees over there not affecting the filing of patent applications. But you must remember that in most of these foreign countries, there is a big stick over the inventor to get him to file. In this country, you are entitled to the date of your invention, if you have made the invention and tried it out, as the lawyers say, reduced it to practice, you can then, with some hazards, but not complete hazards, wait. In most foreign countries, you cannot show the date of invention ahead of your filing date. You are under tremendous legal pressure to get a patent application in fast. Consequently, regardless of maintenance fees, the risk of loss of your invention is far greater. Foreign countries can get away with maintenance fees, you might say, for that reason. These maintenance fees have much less bearing on the time of filing of patent application than they would in this country.

Now, we have advanced these and a number of other reasons in our memorandum. I shall not go into those, because I think there are some very cogent reasons that have been expressed before your hearing yesterday and today. I do not want to repeat what other people have said perhaps even better than I can put them.

One thing that does puzzle me a little is the amount of money to be raised by these maintenance fees. Now, apparently nothing is going to come into the Patent Office for about 4 or 5 years. We have suggested that one alternative, as the last gentleman before you indicated, too, though not for this purpose, would be to increase the cost of patent copies from 25 cents to 50 cents. This is an area of interest to a special class of people; engineers and technologists, who buy these things. I think it would be fair to say that this would raise a considerable amount of money. Rather than impose maintenance fees, which in some respects, would not appear for a considerable time, at least, the added revenue would come from the area I have just mentioned. We suggest it as an alternative. I want to point out we have not, furthermore, our group has not opposed some of the other things in the bill such as the filing fee. We do feel that there is going to be a lot more money raised, for example, by the filing fee in connection with payments for independent claims, than might now appear.

It is, we feel, a fair conclusion that as the bill stands even without maintenance fees, but certainly with this substitution of the printed copy cost, there would be a very large recovery of revenue for the Patent Office.

I think that completes our statement, but I wanted to say we felt quite strongly about this printed page fee in the final fee and it could be dealt with simply by the way that leaves the bill with a fee quite analogous in income and effect to the one that is in there now.

Senator McCLELLAN. Thank you very much.

Mr. DINKINS. Mr. Dunham, I just wanted to remind you, I understood you were going to submit some alternative language for the record to take care of the quoted language on page 11 of the House bill.

Mr. DUNHAM. Oh, yes.

Senator McCLELLAN. Will you submit that and I shall let it go into the record at this point?

(The material referred to follows:)

It is suggested that the quoted text of section 11 of H.R. 8190, at page 11, be amended by adding the following (line 4 of page 11):

"As so construed a dependent claim in a patent shall be considered for all purposes as if it were an independent claim."

I should make it clear that since the committee on patents of the association of the bar has not taken occasion to consider the language of the bill in this respect, I submit this wording independently, that is, solely as an interested attorney, in consequence of certain oral discussion at these hearings.

I would intend that with the above wording there should be no doubt about the stature of a dependent claim as equal to an independent one, and that the subject matter which such a claim adds to its antecedent should be deemed to have substantial significance in respect of patentability of the invention defined by the claim. Furthermore, it should be equally clear that a dependent claim may remain in full force and effect even though a claim upon which it depends is disclaimed or is the subject of adverse adjudication.

Mr. DUNHAM. Yes; thank you very much.

(The following was subsequently received and made a part of the hearing at this point by order of the chairman:)

SUPPLEMENTAL STATEMENT ON BEHALF OF THE ASSOCIATION OF THE BAR OF THE CITY OF NEW YORK, PRESENTED AT THE DIRECTION OF ITS COMMITTEE ON PATENTS, MARCH 18, 1964

Supplementing my statement made in February 28, 1964, the following is presented:

I. On the subject of maintenance fees we wish to emphasize our basic position namely, that such fees are, in principle, very much against the public interest and that we very firmly believe they should be deleted from the bill. As pointed out in my testimony and in our letter of February 26 and supplemental memorandum of February 25, a simple and entirely fair way of raising equivalent revenue would be to increase the charge for ordinary printed copies of patents from the present 25 cents to 50 cents. This would merely impose a fair increase of cost upon those who are getting the benefit of these printed disclosures. The manner in which equivalent funds would be raised by this alternative is detailed in pages 16 and 17 of our supplemental memorandum dated February 25, 1964.

Hence, we earnestly submit that the maintenance fee provisions should be eliminated from the bill, and suggest that a simple and effective way of raising the same revenue, indeed, getting it right now, would reside in the alternative just mentioned—actual amendments for this purpose being set forth on page 15 of our aforesaid supplemental memorandum beginning with paragraph 2 on that page.

II. If the Subcommittee on Patents, Trademarks, and Copyrights, of the Committee on the Judiciary, nevertheless concludes that maintenance fee provisions should remain in the bill, we have another and we think, very practical suggestion. It is predicated on the thought that a lot of people may still have the old-fashioned notion of preferring to pay their full and fair share of the cost of something when they get it, rather than by a series of installment payments of burdensome nature in the far distant future.

This suggestion is that if the provisions of H.R. 8190 regarding maintenance fees must be left as they are, a simple further paragraph should be added, giving the patent applicant the option of paying a suitable sum, say $65, at the time of the issue fee, whereupon the maintenance of the patent would be considered as prepaid for its entire term.

The following considerations are offered as logically supporting this proposal:

1. The Patent Office people, I believe, testified that the maximum annual amount realizable from maintenance fees (13 years hence) could be raised now by adding $35 to the application filing fee. An equivalent figure for the issue fee would be about $55; i.e., for 50,000 patents instead of 80,000 applications, each year. In other words, the latter amount is the patentee's fair share of bringing the Patent Office reimbursement up to the desired 75-percent level. Under these circumstances, it would seem entirely fair to let him pay, say, $65, with his issue fee, and secure the full benefit of what this sum is more than calculated to cover; namely, avoidance of any obligation to contribute to the maintenance fee fund in the future. This amount could even be lower or perhaps a few dollars higher, but $65 seems quite fair.

2. This provision would be entirely optional, and the patentee could instead still wait for 5 years before making any payment, and then perhaps get deferments, and even avoid any payment by allowing the patent to lapse. Hence all the benefits to the patentee of the maintenance fee installment system would remain, for those who prefer it.

3. If few patentees should take advantage of this option, it would nevertheless have done no harm; but if many follow this course, there would be the very real advantage of a substantial amount of revenue for the Patent Office, beginning right away and continuing throughout the years.

4. While there would be a considerable difference between the amount of this advance maintenance fee (paid just before the patent issues) and the total of maintenance fees paid from 5 to 13 years later, it must be remembered that a patentee who decides to wait, under the installment provisions, also has in effect the assertedly valuable option of not paying anything at all or of long deferment where justified. Moreover, without a prepayment option a large number of patents will never result in payment of even the 5th-year maintenance fee and only a very minor percentage would pay the 13th-year fee. Indeed the expected average return per patent, from maintenance fees as prescribed in the bill, having regard to this anticipated "mortality," is only about $55 (as shown by the figures above, from the Patent Office), which is less than the suggested prepayment fee of $65.

5. If it is thought that only people with "sure thing" patents would use this prepayment option, and thus reduce the likelihood of their paying larger sums in the 9th and 13th years, I suggest that this possibility is quite contrary to human nature, and that the real effect would be the other way, in getting money now for a great many patents that would otherwise be dropped. To use a homely analogy, there is really no more basis for predicting "sure things" in the area of invention than elsewhere in the gamut of speculative enterprise from stock market investment to horseracing.

6. There would be a strong inducement to use this prepayment option, to avoid the time, expense, and risk of following up and deciding upon the payment of fees at later times.

7. In summary, this proposal would leave the maintenance fee concept in the bill, and indeed the entire provisions for it, exactly as they are—for the benefit of those who like them. It would appear to answer some of the objections of those who dislike postissue maintenance fees and are willing to pay larger application fees instead. It would nevertheless impose no required increase in the filing and application fees now specified in the bill. Finally, it would almost surely start an additional and even greater source of revenue right away, not 5 or 9 years hence.

I take the liberty of appending to these remarks (as app. A) a suggested wording of possible amendments for sections 6 and 8 of H.R. 8190; i.e., to indicate one way in which the above option might be incorporated, simply by adding two new subsections.

III. In conclusion, we submit that—

(*a*) we strongly oppose maintenance fees and favor our earlier-suggested alternative of raising the patent copy price, but

(*b*) if maintenance fees are deemed necessary, we feel that the above option for prepayment would be a highly practical and desirable addition to the bill.

Respectfully,

ROBERT S. DUNHAM
(For the Committee on Patents).

APPENDIX A

H.R. 8190, PROPOSED AMENDMENT TO SECTIONS 6 AND 8 TO PROVIDE FOR OPTIONAL PREPAYMENT OF MAINTENANCE FEES

In section 6, at the end of new section 155 of title 35, United States Code, amend by adding the following on page 9, after line 8:

"(g) In lieu of the fees under subsection (a) of this section, an applicant for patent may prepay maintenance of the patent by payment of an advance maintenance fee along with the sum that is paid within 3 months after allowance as specified in section 151. Thereupon the patent as issued shall carry a notation of prepayment of maintenance for the full term and no maintenance fees shall thereafter be due under subsection (a) to (f) of this section. The patent shall nevertheless be subject to payment of any remaining balance of the issue fee under section 151. Such advance maintenance fee may be deemed an additional part of the payment due on allowance, for the benefit of the fourth paragraph of section 151 respecting delay in such payment."

In section 8, at the end of the further addition to subsection (a) of section 41 of title 35, United States Code, amend by adding the following on page 9, line 22:

"14. For maintaining a patent (other than a design) in force, when paid in advance with the issue fee, $65." [1]

(The following was subsequently received and made a part of the record at this point by order of the chairman:)

MARCH 4, 1964.

Re H.R. 8190, Patent Office fees.

Mr. CLARENCE DINKINS,
Chief Counsel, Subcommittee on Patents, Trademarks, and Copyrights, Committee on the Judiciary, Old Senate Office Building, Washington, D.C.

DEAR MR. DINKINS: During my testimony before the subcommittee last Friday, February 28, on behalf of the Association of the Bar of the City of New York, I mentioned the existence of legal authority supporting my point as to the importance of descriptive disclosure in patents and the dangers of curtailing such disclosure, all as bearing on the per-page printing charge in item 2, page 2, of the bill.

A good summary of such authorities appears in an article, with which you may already be familiar, in the Journal of the Patent Office Society, for August 1963, at pages 644 to 650, by Marvin Jacobson. The passage dealing with the above point of law appears on pages 645 and 646, and I enclose prints of those pages.

As I endeavored to state, our suggestion is that the $10 per-page charge be replaced by a charge based on the claims. Two alternative possibilities are described as items (1) and (2) on page 4 (and going on to p. 5) of our supplemental memorandum dated February 25, 1964, that accompanied the association's letter dated February 26, all now in the record. The second of these alternatives is probably the simplest, i.e., $5 per claim instead of $10 per page.

Actual amendments of H.R. 8190 are detailed on page 14 and the first 7 lines of page 15 of our same memorandum, the simpler $5-per-claim suggestion being item (b) at the top of page 15.

As we endeavored to explain, either of these alternatives would apparently yield the same amount of money and would preserve the general scheme of the issue fee in the bill as to a range from the same moderate fee for a simple patent upward to large fees for complicated ones, while avoiding jeopardy to the public interest in full descriptive disclosures and while also affording administrative simplicity (because the fee could be determined before printing).

[1] The statistical issue-date value of deferred maintenance fees would be about $55; hence the suggested $65 seems ample as a paidup advance maintenance fee. Perhaps a few dollars less or more could be prescribed here, but the amount of $65 is clearly adequate and, we think, fair.

If the subcommittee would care to include this letter in the record and make the enclosed prints an exhibit, we would be glad to have it in. All of this, as I have said, is on behalf of the Association of the Bar of the City of New York.

Very truly yours,

ROBERT S. DUNHAM
(For the Committee on Patents).

* * * * * * *

The two proposed features of the bill directed principally towards effecting changes in practice, appear in Section 1 as Items 1 and 2. Since the same changes are proposed for original and reissue applications, the discussion will be applicable to both. Item 2 will be the first considered. Item 2 would increase the issuance fee with an additional charge of (A) $10 for each page of specification as printed and (B) $2.00 for each sheet of drawings. The obvious goal is to reduce the number of pages in the specification and the quantity of drawings. While it has been suggested that this will lead to greater compliance with Rule 71, under 35 U.S.C. 112, requiring that the specification be "concise," the further requirements of the statute that the description contained in the specification shall be full, clear and "contain exact terms as to enable any person skilled in the art . . . to make and use" the invention should not be overlooked. While the term "concise" is not antonymous with the other requirements, the pitfall of not meeting all of these requirements is one which the inventor must avoid if he is to have a valid patent. As stated by the Court of Appeals of the Ninth Circuit in *Moist Cold Refrigerator Company Incorporated* v. *The Lou Johnson Company Incorporated, et al.*, 115 U.S.P.Q. 160, "Of course, no matter whether there was proof of an invention or not, if there was no disclosure of the means by which the invention was accomplished in the patent claim as aided by the specification there could be no valid invention." In pointing out the benefit to the public resulting from a full disclosure in the specification of a patent, the District Court for the Southern District of New York in *Zoomar, Incorporated* v. *Paillard Products, Incorporated*, 113 U.S.P.Q. 469, cited *General Electric Company* v. *Wabash Appliance Corporation*, 37 U.S.P.Q. 466, in stating, "Section 112 seeks not only to enable the public to reconstruct the device—but also to guard against unreasonable advantages to the patentee and disadvantages to others arising from uncertainty." Judge O'Connell of the CCPA in *In re Chaplin*, 114 U.S.P.Q. 157, in pointing out the inadequacy of the disclosure of applicant's specification, stated "an applicant is entitled to rely upon the disclosure of the prior art," but further went on to say that the applicant's statement that there are many mechanisms which are known which will perform the sorts of die movements desired does not justify the adequacy of the disclosure when it "merely indicates generally the movements desired and leaves it to the prospective user to select and combine features from the prior art to produce such movements." In *Ex parte Rossi*, 128 U.S.P.Q. 202, the Patent Office Board of Appeals affirmed the examiner's rejection of the claims on the grounds of insufficient disclosure and pointed out the lack of specific figures and examples to implement the invention claimed by the applicant. From these few cited cases, running the gamut from the Circuit Court of Appeals through the Patent Office Board of Appeals, it can be seen that the requirements of 35 U.S.C. 112 are always subject to consideration so that it is incumbent upon the inventor-applicant to satisfy all of the statutory requirements.

* * * * * * *

(The following was subsequently received and made a part of the hearings at this point by order of the chairman:)

MARCH 18, 1964.

Re H.R. 8190.

Mr. STEPHEN G. HAASER,
Chief Clerk, Subcommittee on Patents, Trademarks, and Copyrights, Old Senate Office Building, Washington, D.C.

DEAR MR. HAASER: At the risk of overburdening the subcommittee with communications on this subject, I have been giving it so much study that I cannot refrain from submitting a few further suggestions, simply on my own behalf, in a desire to be helpful.

Specifically, there are a couple of areas where I think that "housekeeping" amendments might be worthwhile, to clarify some minor provisions of the bill.

1. At the hearings, Senator McClellan indicated some concern (which all of us felt) about the $50 additional fee required for appeals (item 6 on pp. 2 and 3) where the appellant wanted the privilege of an oral hearing. I have the impression that one problem faced by the Patent Office is the unfortunate situation that frequently appeal hearings are scheduled but the appellant fails to appear, or so notifies the Patent Office at a time too late to schedule another hearing. I would see no reason why the bill could not include a penalty, in effect, for this situation, yet make no extra charge to an appellant who attended the requested oral hearing. Perhaps some language such as the following could be substituted for the second sentence of item 6 (line 23, p. 2, to line 2, p. 3):

"If an oral hearing is not requested prior to any consideration by the Board, or if an oral hearing is attended by or on behalf of appellant, $50 of the $100 fee will be refunded, but the Commissioner may refuse such refund in cases where an oral hearing which has been scheduled on request of appellant for such hearing is not attended. Alternatively, nevertheless, if the appeal is withdrawn prior to any consideration by the Board, all of the fee over $25 will be refunded."

2. Another uncertain provision in the bill that was in fact mentioned by some people at the hearing, relates to the assignment recording fees in item 10, page 3 and item 12, page 5. These in effect provide a fee of $20 for recording an assignment or other paper, but leave some ambiguity as to the situation of a document which relates to more than one application or patent. Certainly if, as sometimes happens, it is necessary to record an assignment of a group of patents, say 20 patents, I would not think it would be the intent of the bill to impose a charge of $400 for recording such single document. In the existing law, this situation is covered by a provision of 50 cents additional fee for each patent or trademark, etc., over the first one, in a single paper. Perhaps this problem could be clarified as follows:

(*a*) At the end of item 10, page 3 (line 17), change the period to a semicolon and after the semicolon insert "for each additional patent or additional application included in one writing where more than one is so included, $1 additional."

(*b*) At the end of item 12, page 5 (line 4), change the period to a semicolon and after the semicolon insert "for each additional registration or application included in one writing, where more than one is so included, $1 additional."

Of course, it may be that the Patent Office intended the $20 fees in the bill to cover documents with any number of patents or trademarks listed, but even so, the language is certainly not clear and some correction is badly needed.

3. One minor point: it would be a great boon to attorneys if the period of 3 months specified in line 20 on page 5 for payment of the issue fee after allowance could be made 4 months. When a patent application has been "allowed," that is about the last chance for the filing of applications in foreign countries, and applicants often wait until that time, to be sure that there is something patentable. Three months, plus the time for printing of the patent, is a little short in order to get such a job done, especially in remote countries and where long specifications must be translated into foreign languages. Furthermore a little longer period at this point might help those attorneys who would like to revise some allowed "dependent" claims into "independent" form, which I would feel sure the Patent Office would permit if the extra fee of $10 per claim were then paid under section 1 of the act. I do not say that this change of 3 months to 4 months is necessarily critical, but I do think that attorneys would be grateful for this little additional time. If such change were made in line 20 of page 5 of the bill, and if by chance the subcommittee found occasion to adopt the amendment appended to my recent statement on behalf of the association of the bar, a similar change would have to be made in that amendment.

As you can see, all of the above are simply in the way of clarifying or expediting the procedures under the bill, and I am simply making these suggestions personally, rather than in any official capacity.

Very truly yours,

ROBERT S. DUNHAM.

Senator McCLELLAN. Now, Mr. Misegades.

STATEMENT OF KEITH MISEGADES, PATENT ATTORNEY, WASHINGTON, D.C.

Mr. MISEGADES. I have stated in my statement——

Senator MCCLELLAN. Let his statement be printed in the record at this point.

(The document referred to follows:)

STATEMENT OF KEITH MISEGADES

My name is Keith Misegades, of Washington Building, Washington, D.C. I am a patent lawyer now in private practice. I have been a patent examiner and a house patent counsel for several corporations. I am an inventor and the son of one. For this reason I feel that I know at firsthand something of the problems of each of these groups interested in the pending bill.

The bulk of my practice is made up of cases forwarded to me by attorneys in general practice located in the smaller towns in the country. They recognize that patent matters involve questions of a specialized nature, easier for me to handle than themselves. I am the successor in practice of a chain of three other lawyers, the first having established the practice more than 60 years ago. Some correspondent firms have been sending us work for more than 40 years, yet because patent problems arise infrequently in the small towns where my correspondents are, many of them will only write perhaps once in 5 years.

I feel therefore that I am familiar with at least some of the problems of the small inventor, that is, the man who is not hired to invent. He probably will only file one patent application in his life. According to statistical studies, the proportion of these inventors to corporate inventors is steadily decreasing due to the increasing complexity of modern technology.

However, I believe that it is essential for the way to be left open for the small inventor. Corporate inventors, in my experience, are so orderly in their thinking that they do not make radical departures from the existing way of doing things. I was once house counsel for a fairly large corporation having its headquarters and research laboratory in New York and some 40 factories scattered throughout the country. The company produced at least a third of all of the product in its field. They had laboratory equipment that was absolutely beyond compare and a staff comparable to a university faculty. They produced a substantial volume of inventions. Yet, in spite of this "brain trust," on several occasions of my recollection, either a small competitor or a freelance inventor made a basic invention in the field. I should add that the panel of experts quickly improved on these new items, adding greatly to their practical utility, but the fresh, original thinking is not all done by the experts. So, I say don't kill off this vanishing breed by fees which will add greatly to his discouragement.

It is my estimate that the increase in filing and final fees will add at least 30 percent to the total charge I now make to inventors. It is far out of line with the charges made by other Government agencies granting privileges such as the Federal Communications Commission and the Federal Power Commission.

When we come to the provision for an appeal fee of $100, this is as great as the fee for taking a case to the Supreme Court: Roughly speaking, the Patent Office Board of Appeals has a rank parallel to the Tax Court and the district courts, in that appeals from it go to a court ranking with the courts of appeals. Why should it cost 10 times as much for a patent appeal as the docket fee in the district court? Why should it cost four times as much for the appeal to the Patent Board as it costs to take it the next step beyond to the Court of Customs and Patent Appeals?

In the past 2 years the Patent Office examiners have become harsher and more improvident in their actions. If the right of appeal is foreclosed by a fee that is frequently beyond the reach of some inventors, then justice is denied.

The maintenance fees are absurd because they amount to nothing more than a bookkeeping transaction. The first two need not be paid if the return to the inventor has not made as much out of his patent. If his invention is profitable, the income tax will have benefited from the inventor or his assignees. The whole purpose of the patent system is to add to the prosperity of the Nation: the public gets better or cheaper goods, the manufacturer gets something new or something cheaper to make and all too frequently the inventor gets a small

bite out of the apple. If there is no monetary profit to the inventor or his assignee, the Government will not benefit but, if they do profit, does it matter whether you call it income tax or whether you call it maintenance fee?

I could discuss the generally unrealized benefits to the Nation provided by the patent system but I prefer to leave this to others.

I have one suggestion for raising revenue from the patent system, thus far unexplored as far as I know. There has long been a stamp tax on transfers of real property. A similar tax on patent assignments and other transfers of Government franchises such as radio and television licenses could be made to yield significant amounts besides having the advantage of taking the tax from those who were actually reaping some of the benefit from the patent system. The same argument is applicable to the transferors of any Government franchise.

Mr. MISEGADES. I consider my self a universal expert; that is to say, I have been an examiner in the Patent Office; I have been House counsel for several corporations; and presently I am in private practice. Beyond that I am an inventor myself and the son of one. So I think I appreciate the problems of all of these people more effectively than some of the special advocates who have come here.

I should say also that I do not represent anyone or any organization but myself, although I have the interests in mind of my clients.

Many of my clients are from the backwoods, if you please, the small towns. Most of my practice is sent to me by smalltown attorneys who recognize that they know nothing about patents. They refer them to me to be dealt with. Most of my clients are the individual inventor type and I do not recall that I have but two inventors that I have worked with in the course of the past 10 years who have invented more than two inventions. These are the people who are going to be pretty seriously affected by the increases in both the filing fee and the final fee.

I have frequent occasion to discuss the question of fees with them and I am not quite in the position of the attorney who is at their hand to discuss with them, "Well, now, just what is your financial situation?"

I have to assume that they all are in about equal position.

Now, I feel that those individual inventors are, no matter what other people say, an important part of the inventing structure of our country. Before I was in my present practice, I worked for a large corporation in New York and I sat in the Empire State Building, the very embodiment, if you please, at that time of New York City. This corporation occupied a place of manufacturing more than a third, probably a half of all of the product of that kind that was made in the United States. They had about 50 factories scattered throughout the United States. Yet, what I am saying is they had a fine research organization. It is one that I would have considered comparable to the faculty of a fine university as far as the specialties that they represented. They invented the instruments by which these products were tested. They were far out in advance there.

But what I am saying also is that those inventors did not come up with the good ideas in their particular field. Some of them, yes. And they were particularly adept at refining ideas that came to them from elsewhere. But the original abrupt departure from what people had been doing before came not from that organization but from the little fellow who was out in the field. They were not ignorant of their business. They knew just as much about it in their own way, but they were willing to try things that the people in the universities,

if you please, said: "We have tried that and we know it will not work."

Yet it did work and when they got a patent on it, the big corporation had to pay and groan. For that reason, I say that you should not add roughly 25 percent of the cost of procuring the patents by this large increase in fees to the individual inventor. It is a bigger chunk than you probably appreciate.

We talk about the Patent Office, but is it not analogous, if you please, to a court? What court is there in this country where the docket fee amounts to $50 or more? I can tell you one. It is the Supreme Court of the United States. In the other cases, that is not true.

Now, we get to the matter of the appeal fee. I have not heard that discussed since I have been here. Now, that is a sheer penalty that is attached to appeals, and I cannot see any reason for it at all. The Patent Office in the past couple of years has become increasingly arbitrary and the only remedy for that is to take the case up on appeal. Now it is proposed to put $100 as the appeal fee. That is exactly the fee that is charged by the Supreme Court to docket a case.

If you put that into the law, you will have the absurd situation of it costing $100 to go from the examiner to the Patent Office Board of Appeals and only $25 to go from the Patent Office Board of Appeals to the Court of Customs and Patent Appeals which hears appeals from the Board.

Why is that? I think it is irrational to charge a larger fee in a tribunal that is of lesser rank. It is not true in the Federal courts.

Senator McClellan. I am not clear on that. What is the amount charged for an appeal now?

Mr. Misegades. Oh, yes; it is $25, up from $15, 30 years ago.

Senator McClellan. So it is now $25?

Mr. Misegades. It is now $25 and it is proposed to increase that to $100.

Senator McClellan. You think that is excessive?

Mr. Misegades. Well, it is in terms of that tribunal. As I say, it only costs $25 to go up from that tribunal to the Court of Customs and Patent Appeals.

The Court of Customs and Patent Appeals occupies a rank with the other appeals courts in the United States, the other 11 circuits. Each of them charges $25 for an appeal. That puts the Patent Office Board of Appeals on the same level with the district courts of the United States and it only costs $10 to get into one of them. I cannot see a bit of difference. It is utterly unfair, in my estimation.

Now, I believe that this serves only as a penalty. For example, it is proposed that the fee will only be $50 if the applicant does not desire an oral hearing.

Senator McClellan. I raised some question about that with a witness yesterday.

Mr. Misegades. I know of no court in the United States that refused to hear an oral argument on a case at a penalty to the individual who is having his case heard. I cannot believe that that is a fair thing.

Senator McClellan. Well, I raised the question, I think probably some appropriate fee on appeal is all right. I do not question that. The amount here may be excessive. I have not looked into that. But

I do not see the reason for having to pay $50 extra to get an oral argument.

Mr. MISEGADES. Well, I cannot see the reason for charging even $50 in terms of the other levels that are charged elsewhere.

Senator MCCLELLAN. Well, I do not see why you have to be charged anything to get an oral argument. That is the way I feel about it at the moment. I think it may well be left to the discretion of the Board as to whether they grant an oral argument in every case. But I am not inclined to favor paying $50 just to get an oral argument.

Mr. MISEGADES. I think that you are as much entitled to an oral argument before the Board of Appeals as you are before the district court. You would not deny it there, would you?

Or so far as that goes, would you deny an oral argument to a litigant before one of the courts of appeals in the United States?

Forgive me asking the questions.

Senator MCCLELLAN. Well, I am not passing judgment. I was talking about this particular bill. I made reference to that yesterday. I raised some question on it. We shall answer the questions, I guess, the best we can when we write up the bill.

But I see some of these things that raises questions in my mind and I raised the question yesterday.

Mr. MISEGADES. Well, as I say, my position is that of the smalltime inventor in Arkansas, if you please, and he cannot afford the kind of fees that are being asked for. This is my experience.

Senator MCCLELLAN. Well, if he could afford in 1932 the kind of fees we have now, I would say he can probably afford the fees that are being asked here. I think I know something about the economy of Arkansas then and now.

Mr. MISEGADES. Well, let my bring to your attention, sir, that in 1932, that was the second increase that had been passed in less than 10 years. It had previously been $25 within my experience in the Patent Office, and I entered in 1929, and immediately before that it has been $15 and $20 for the filing fee and the final fee.

So when you have repeatedly thought in terms of what was it in 1932, that increase was made as an addition in order to raise additional revenue and you ought, instead of talking about a $30 fee in 1932, to talk about a $20 and a $25 fee in 1929. This is something, I believe, which has escaped you.

Senator MCCLELLAN. 1929 were booms days in Arkansas. They could have paid the $25 fee in 1929 better than the $30 fee in 1932.

Mr. MISEGADES. That is not what Congress enacted and they have been reluctant to change it since, of course. But what I am saying is that you should not think immediately in terms of that sacred $30 fee in 1932. It had been hiked twice, as I say, immediately before that time. And may I remind you also, sir, that until 1932, there was a surplus of something like $2 or $3 million that the Patent Office had earned over and above its expenses between 1870 and 1932.

I would also point out that at the time I was in the Patent Office as an examiner, in 3 weeks' time I was turning out 17 actions a week. Today the average, if you please, of the entire Patent Office is about 7. The examiners were far more productive and I do not think it is accounted for merely by the increase in the number of patents they have to look at.

Senator McCLELLAN. Do you think a description of a patent is more technical now than it was then?

Mr. MISEGADES. I think that is true. I think there has been a drop-off in the activity of the examiners between that time and the present. I can say this, that this is what we see in the Patent Office. But I buy searches from searchers who regularly do this work in the search room. Although their fees have gone up, they have not gone up in anything like the proportion that it is proposed to raise the fees here. I can get a search that I believe is comparable in quality to that which is performed by the Patent Office.

Senator BURDICK. If this committee should decide to raise fees, what area would you recommend they be raised in?

Mr. MISEGADES. I have suggested in my statement that there is another possibility. We have a real estate transfer tax that has been operative for many years. It is the stamp tax that is put on every deed. I see no reason why an analogous fee should not be exacted, not only of the patent owner who sells his patent, but of the licensee under the Federal Communications Commission who transfers a franchise that is infinitely more valuable than most patents are. I think that it should be tailored to the value of the consideration for which the sale takes place.

Senator McCLELLAN. All right, sir.

Thank you very much.

Mr. MISEGADES. Thank you, sirs.

(The following was subsequently received and made a part of the hearings by order of the chairman:)

ADDITIONAL STATEMENT OF KEITH MISEGADES FOR THE RECORD OF HEARINGS ON H.R. 8190

MARCH 19, 1964.

Mr. STEPHEN G. HAASER,
Chief Clerk, U.S. Senate, Subcommittee on Patents, Trademarks, and Copyrights, Washington, D.C.

DEAR MR. HAASER: To reinforce my observation that it is the independent inventor who contributes significantly to the inventive progress of mankind, I submit the attached book review[1] published in the Washington Sunday Star for March 15, 1964. It reports that about one-half of the major inventions of this century, supposed to be the era of the corporate inventor, are the work of independent inventors.

These are the inventors who will be most severely penalized by a large increase in fees. At the same time, these inventors make a greater contribution proportionately since, because their inventions are frequently ahead of their time, the patent may be close to expiration before any appreciable use is made of the invention commercially.

Yours very sincerely,

KEITH MISEGADES.

NEW LOOK AT ECONOMIC CLICHES

("The Mythmakers," an essay on power and wealth, by Bernard D. Nossiter, Houghton Mifflin Co., 244 pages, $4.)

We all know that President Kennedy was antibusiness, that giant corporations with their research teams produce most inventions, that labor wields not only vast economic but political power.

All of us, that is, except Mr. Nossiter. With a skeptical eye and considerable erudition, this Washington reporter has reexamined a number of assumptions about how the American system functions to control the large corporations, "the strongest repositories of economic power."

[1] "The Mythmakers," an essay on power and wealth, by Bernard D. Nossiter; Houghton Mifflin Co.

Mr. Kennedy, he finds, was telling Big Steel back in 1961 in effect: "If you fellows don't raise prices, I'll help you hold the union down." Judging from the outcome, when the union next spring agreed to the smallest gain since the war, he kept his part of the pledge. And the President, the author contends, showed a quick sympathy to business in other areas such as tax policy, international trade and finance, and Federal spending.

Mr. Nossiter also has dug up a British study showing that of 60 major inventions in this century, more than half were by individuals without corporate backing. Concentration in industry, he concludes, actually tends to hold back innovation.

Labor's power he terms "vastly overrated," citing many authorities to demonstrate how unions have lost their missionary zeal of the 1930's, are failing to organize new blocs such as white-collar workers, and act like sleepy monopolies.

Big Government is also overrated as an impartial umpire, according to the author. Regulatory agencies become captives of the industries they supervise. And that undermines another myth; namely, that the countervailing power of industry versus labor or Government versus industry provides a system of checks and balances that benefits the public.

What the Nation needs, he concludes, is a kind of planning by assent, a noncompulsory approach to spread prosperity. It already has worked, he finds, in the Employment Act of 1946 which declared, without coercing anyone, that the Government has a role to play in increasing jobs.

Some of Mr. Nossiter's arguments are open to debate. Labor did flash its strength in helping ram the civil rights bill through the House this year. Not all regulatory agencies are timid, as witnessed in the SEC's massive probe of securities markets.

But this fresh look at some of our most established economic cliches makes stimulating reading.

T. T.

Senator McClellan. The Chair will direct that there be placed in the record at this point a statement from Senator Long of Missouri, together with two letters from constituents of his, which he attached.

(The documents referred to follow:)

Statement of Senator Long of Missouri

Mr. Chairman, in the past few weeks, I have received a number of letters and other communications from persons in my State expressing opposition to H.R. 8190 to fix the fees payable to the Patent Office. Most of these people recognize the need to raise the present patent fees but all object to the radical increase contained in this bill.

These communications have raised grave reservations on my part with respect to the pending measure. I am greatly concerned over the effect of this bill on the individual inventor and small business. We are deeply indebted to the imagination and creativity of the individual inventor and small business for our present-day standard of living and our present-day scientific posture. Any proposal that would stifle or deter the utilization of this imagination or creativity would be contrary to the national interest.

It is certainly an admirable objective to make the Patent Office more self-sustaining. However, this objective cannot be all consuming.

The Constitution specifically sets out the goal which we should strive to achieve in the enactment of patent legislation. As the subcommittee knows, article I, section 8, delegates to Congress the power "to promote the progress of science and useful arts, by securing for limited times to authors and inventors the exclusive rights to their respective writings and discoveries." My concern is whether H.R. 8190 would promote or impede progress of science and useful arts.

Some of the letters I have received have indicated that the writer has also written the subcommittee on this legislation. Earlier I have forwarded to the subcommittee other comments which I have received. Today, I submit to the subcommittee two letters I received this morning and ask they be made a part of the record.

Mr. Chairman, I know the subcommittee will give careful consideration to all the facts and arguments presented. However, I wanted to express my grave concern and reservations as to the drastic increase in fees contained in H.R. 8190.

CLAYTON, MO., *February 25, 1964.*

Senator EDWARD V. LONG,
Senate Office Building,
Washington, D.C.

DEAR SENATOR LONG: This letter is written in opposition to H.R. 8190, a bill to fix fees in the Patent Office. The statements and opinions in this letter are my own, although I will say that I have with others in various bar groups considered this bill at quite some length.

First of all, I, along with many other patent lawyers, have thought that the patent fees should be increased merely to bring them up to date with the change in the value of the dollar, since they have been static for many years. However, I do feel that the increase is so great that it will stifle invention, not only of independent inventors but also in corporate research departments, and lessen public disclosure through the grant of patent applications because of this greatly increased expense. As an example, the cost of Government fees based on the average application will be increased about fourfold at the time of the grant of the patent compared to present fees, while if the same patent is maintained throughout its life, because of the new and radical provision of maintenance fees, the increase will be nine times the present Government fees.

I base my above figures on the present Government fee structure of $63, including $30 for filing, $30 for grant, and $3 for recording, since the average application has an assignment of at least a part interest for a $3 recording fee. Based on my own review of patents that I have obtained for individual inventors and corporate clients over the last 2 years, the average specification of the patent grant is four pages, eight claims, and two sheets of drawings. Under the new fee structure and H.R. 8190, the following Government fees would be paid at the time of the patent grant:

Filing	$50
Issue	75
Specifications for 4 pages	40
Claims, 7 claims in excess of 1	70
2 Sheets of drawings	4
Recording fee	20
Total	259

This total of $259 for the average patent obtained in my practice is about four times the present fee cost of $63. If the maintenance fees of $50 at the end of 5 years, $100 at the end of 9 years, and $150 at the end of 13 years are added (representing a total of $300 in maintenance fees) a total Government fee of $559 is charged, representing almost nine time that of the present $63 in Government fees.

Accordingly, I believe it to be abundantly clear that the fee increase structure called for in H.R. 8190 is not merely a moderate increase that I would favor, but a radical increase that is so abrupt a departure as to stifle public disclosure of inventions through patents. I might add that the alternative to public disclosure through patents will be a growing trend to protection by use of trade secrets, which prevents a wide dissemination of inventions and exchange through published patents and literature articles. This I believe will be a growing tendency based on my practice where I represent clients in unfair competition and trade secrecy litigation, as well as patent matters. Needless to say, the best interests of the public and the United States are best served by as wide a publication and disclosure of inventions as possible while still promoting individual incentive to progress.

Very truly yours,

GLENN K. ROBBINS, *Attorney at Law.*

ST. LOUIS, MO., *February 21, 1964.*

Hon. EDWARD V. LONG,
U.S. Senate,
Washington, D.C.

DEAR SENATOR LONG: The passage by the House of Representatives of H.R. 8190—a bill imposing maintenance fee on patents—certainly shows how Government is further restricting the initiative of individuals and modern business.

I feel that patents and the protection of them has been one of the main reasons

for the growth of our great American industrial complex. I think we will both agree that the present registration fees for patents are not enough to cover the operation of the Patent Office. But this proposed increase in (maintenance) fees is about 500 percent of the present rate.

I think, and I am sure you agree with me, that an increase in patent fees is necessary. But as far as I am concerned, a maintenance fee is no more than a rental for the exclusive use of an invention or a process. When this measure comes up for your consideration, I hope you will keep my views in mind.

Very truly yours,

J. E. HASKETT.

Senator McCLELLAN. Also, the Chair will reserve the decision to insert into the record, possibly, some communications the committee has received from people asking that their letters or statement be inserted in the record.

I wish also to state for the record at this point a brief review of the hearings we have held here.

The Chair observes that during the course of 2 days of public hearings, we have heard a total of 23 witnesses.

These witnesses represented nine associations—all in opposition to the bill (H.R. 8190). In addition, seven private individuals (some attorneys and some inventors), and on behalf of the legislation, the Department of Commerce, the Acting Commissioner of Patents, as well as the Patent Office Society and a private attorney.

We have to date some 21 statements, in addition to the witnesses who have testified—statements that will be inserted in the record, and up to the present time we have 154 pages of transcript testimony that we have heard. This does not include the insertions that have been made in the record as the hearing progressed nor today's testimony.

I want to mention that at the conclusion of these hearings—so it may be appreciated by all interested parties—that the committee has undertaken to go into this subject matter with objectivity, with a degree of thoroughness, and with the idea of trying to become enlightened so that we can meet our legislative responsibilities.

I want to thank all witnesses, my colleagues, the staff, and all who have cooperated in expediting these proceedings and to bring them to what we trust will be a satisfactory conclusion. Now, there might have been further hearings on the bill except for the legislative situation that has developed in the Senate. In the meantime, I am advising here that we shall keep the record open, the permanent record open, until March 20, so if others desire to submit statements, they may be submitted for the record.

Of course, we will examine them to see that they are pertinent but we shall keep the record open until that time. Some few have requested a little time to prepare statements. Without objection, that will be done.

Thank you very much, everyone.

The committee will stand adjourned.

(Whereupon, at 4:50 p.m., the committee adjourned, subject to the call of the Chair.)

APPENDIX

AEROSPACE INDUSTRIES ASSOCIATION OF AMERICA, INC.,
Washington, D.C., March 20, 1964.

Hon. JOHN L. MCCLELLAN,
Chairman, Subcommittee on Patents, Trademarks, and Copyrights, Committee on the Judiciary, U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: The Aerospace Industries Association appreciates the opportunity to comment on proposals to increase Patent Office fees which are now under consideration by the Subcommittee on Patents, Trademarks, and Copyrights of the Senate Judiciary Committee.

This association has long believed that the American patent system is a cornerstone of our free enterprise philosophy and that it has been designed to provide maximum benefits to the greatest number of people. In this context, "The American patent system has added the fuel of interest to the fire of genius," in the words of President Abraham Lincoln.

The American patent system plays an important role in the expansion of all segments of our national economy, and, as such, the maintenance and proper administration of that system should receive its principal support from the general revenues of the Federal Government which accrue from the Nation at large.

It is recognized, however, that as the costs of the Patent Office increase, the share of the cost which is borne by identifiable groups who receive special benefits in excess of the benefits to the general public should be borne by the recipients thereof. This association, therefore, supports legislation which allocates a greater portion of the costs of operating the Patent Office to the applicants for and recipients of patents. We believe that necessary patent fee increases should be provided through additional assessments at the time a patent application is filed and at the time a patent is issued.

The Aerospace Industries Association believes that the basic philosophy for determining such fees is that they be reasonable, nondiscriminatory and not cause substantive changes in patent practice. We, therefore, support the position taken by the United States Chamber of Commerce regarding the assessment of maintenance fees as contained in H.R. 8190.

In addition, we believe that those provisions of H.R. 8190 which propose an increase in the fee for recording each assignment of an application or a patent, or for recording any other paper in connection therewith, are unreasonable because such increases would be clearly in excess of their cost to the Patent Office. Further, we believe that the proposed fee of $10 on filing of each claim in independent form in excess of one, is unreasonable and would discourage inclusion of sufficient independent claims in the patent application to properly describe and delineate the subject invention.

Also under consideration by your committee is S. 2547, introduced by Senator Thomas J. Dodd, of Connecticut, which the Aerospace Industries Association believes presents a sounder approach to the problem of adequately distributing the costs of the maintenance and administration of the patent system. This bill, with certain minor amendments, such as the deletion of the appeal fees, identified in lines 10–14, page 2; the assignment fees, identified in line 25, page 2, and lines 1–3, page 3; and the fees on filing of motions and briefs in interference proceedings, identified in lines 10–14, page 3, is preferred by the aerospace industry.

I hope the committee will give consideration to these recommendations.

Sincerely,

LLOYD R. KUHN, *Legislative Counsel.*

AMERICAN INSTITUTE OF CHEMISTS,
New York, N.Y., March 16, 1964.

Senator JOHN L. MCCLELLAN,
Chairman, Subcommittee on Patents and Trademarks, Committee on the Judiciary, U.S. Senate, Washington, D.C.

DEAR SENATOR MCCLELLAN: The American Institute of Chemists wishes to comment on the bills H.R. 8190 and S. 2547 currently before your subcommittee and I am submitting a statement herewith.

We would appreciate your inclusion of this letter and statement as part of the hearings covering this legislation.

Sincerely,

W. E. HANFORD, *President-elect.*

STATEMENT BY AMERICAN INSTITUTE OF CHEMISTS ON H.R. 8190 AND S. 2547, BILLS TO INCREASE PATENT OFFICE FEES

The American Institute of Chemists, a professional society of some 3,000 members and the only organization in the United States solely concerned with the professional status of chemists and chemical engineers, wishes to take this opportunity to comment on H.R. 8190 and S. 2547, bills dealing with the matter of an increase in Patent Office fees and, in the case of H.R. 8190, institution of maintenance fees.

The institute supports the principle of the recovery of as great a portion of operating costs of the Patent Office as possible through adequate fees and thus would have no objection to legislation providing for such increases; on the other hand, we strongly oppose the imposition of maintenance fees.

Therefore, we herewith state our opposition to H.R. 8190 and our support of the principle behind S. 2547. We do not at this time propose to comment in detail upon the specific charges provided in S. 2547; they do not, however, appear to be unreasonable or unrealistic.

Patent Office fees have not increased in over 30 years, but at the same time its costs, like everything else, have risen substantially. Thus it is perfectly reasonable for filing and issuance fees to be raised so that considerably more than the current 30 percent of annual operating costs can be recovered. To this end the authors of the legislation under consideration are to be commended.

Our objection to maintenance fees to be charged after 5, 9, and 13 years from date of issuance of the patent is based on two points:

First, they would represent an attack on the basic principle of our patent system which is, and has been, to grant the patent owner a temporary monopoly for a period of 17 years in return for release of information concerning the invention. Obviously these fees would, among other things, have the effect of reducing this period merely for purposes of revenue gathering, which we feel is entirely improper.

Second, it is our opinion that the additional administrative burdens placed upon the Patent Office, in order to keep up with the situation of who owes what and when in the way of maintenance fees, would result in increased operating costs which might conceivably absorb the income derived from such fees, so that the professed aim of new fees to cover operating costs would not be realized. (This is to say nothing of the increased costs to the inventor through additional recordkeeping costs, fees for affidavits and lawyers fees, etc.)

The economic growth of the country has, to a very large extent, been based on the incentives provided through our patent system. The chemical process industry has been, and continues to be, one of the most heavily research-oriented industries benefiting greatly from the patent system. Then too, many of the members of the American Institute of Chemists are individual inventors or members of small research-oriented organizations. Therefore, members of the institute in the chemical process industry look with concern on any legislative approaches which would have the result of modifying or otherwise altering the basic principles of the patent system without a clear, overriding reason that would benefit all, public and inventors alike. In this particular situation, we fail to see that maintenance fees will accomplish their avowed purpose, but rather would have the effect of curtailing the value of the patent system. They certainly would have the effect of limiting the life of a patent, not on any fundamental grounds, but solely for revenue purposes. In our opinion, both the public and the inventors stand to lose by this attack upon the structure of the system.

It appears to us that supporters of the maintenance fees have paid insufficient

attention to the fact that they would, of necessity, increase the administrative tasks within the Patent Office through the additional recordkeeping burden. These costs cannot help but be substantial, so that the net revenue accruing to the Patent Office will be considerably less than estimated.

Maintenance fees also would place a severe burden on the patent holders, especially the small business or individual patentees. In the majority of cases a single patent is insufficient for ample protection and it is necessary to take out a good many for each invention. Thus a maintenance fee not only would require considerable bookkeeping effort, but would also entail a sizable financial burden, which many small inventors might well be unwilling to incur. The result would be that these individuals would prefer to take their chances on secrecy and fail to file for patents. In the last analysis, imposition of such fees could result in a deterrent for invention itself, a potential outcome to be avoided if at all possible. It seems to us that all too frequently these days' legislation is proposed which, in one way or another, would have the effect of hampering and harassing the small inventor. If an individual or company has no incentive or prospect of gaining benefits from years of inventive work, he will turn his attention to other areas and the inventions will never materialize. The country as well as the individual will suffer.

In closing, therefore, we believe that an increase in Patent Office fees at this time is justified. It is unlikely that such a step would result in a decrease in patent filings or that inventions or discoveries will be lost to the public. On the other hand we believe that maintenance fees would have exactly the opposite effect and that they should not be instituted.

We urge the subcommittee to report out a bill from which maintenance fees have been deleted.

STATEMENT OF JOHN W. ANDERSON, PRESIDENT, NATIONAL PATENT COUNCIL, IN REGARD TO HEARINGS ON H.R. 8190, MARCH 18, 1964

Receipt, under date of March 6 of a letter from the chief clerk of the Subcommittee on Patents, Trademarks and Copyrights of the Committee on the Judiciary extending to midnight March 20 the time for receipt of this statement with reference to hearings on H.R. 8190, is appreciated.

I speak in behalf of National Patent Council and the smaller manufacturers, researchers, and inventors it represents.

We agree with Senator McClellan's statement that "several fundamental questions are involved in the pending bill" (H.R. 8190). As the Senator states "Another major question involved is whether the proposed increase in fees, including maintenance fees, will have any substantial impact upon research incentive and the general functions of the patent system." The Senator quite clearly, and quite appropriately, recognizes that it is Congress that has the right and duty, under the provisions of our Constitution relating to patents, to determine matters of policy that may have "substantial impact upon * * * the general functions of the patent system."

It is not believed that the Senate would approve any effort of any agency of Government, expressed or implied, to invest the responsibility and power granted by the Constitution with relation to patents, in any minor administrative agency of the executive branch of our Government.

The report of the House on H.R. 8190 seems to be an effort to invest in an administrative agency of the executive branch of Government powers clearly, by the Constitution, invested in Congress itself and forming part of its legislative responsibility. There is found in that committee's report the following statement:

"The committee heard many diverse proposals and objections to various of the bill's provisions; particularly to those instituting maintenance fees. In the opinion of the committee, however, none of these alternative proposals and none of these objections prevail against *the presumption that the Patent Office, itself*, with its firsthand awareness of its own operations, *is best qualified to say how the money should be raised*." [Italic added.]

In the light of significant facts, it must be assumed that the above-quoted statement—appearing to establish "the presumption that the Patent Office, itself—is best qualified to say how the money should be raised" is either an inadvertent expression or reflects an insupportable assumption that the Patent Office, by some strange alchemy, now is qualified to be entrusted with powers and re-

sponsibilities neither expressed nor implied, constitutionally, in any statutory action of the Congress that so wisely created the Patent Office.

We can conceive of nothing that would contribute more to that constitutional incentivism that has provided the inspiration, consecration, and diligence out of which has come our greatness as a nation, than to make clear that it is the responsibility of our Patent Office not to create and invoke, of itself, rules and procedures deeply affecting the constitutional concept of incentivism, but rather to administer, with continuing and improving competence, the processes of determining the patentable scope of inventions and of issuing valid patents thereon.

The Patent Office has no function in the field of enforcement of patents. That is the province of the courts. The Patent Office has no responsibility for determining the source and amounts of funds required to keep it functioning without undue restriction or harassment.

It is not widely understood that fees collected by the Patent Office go directly into the general Federal fund. It is into that fund that go all of our money paid for taxes. Out of that fund the Government supports its various activities—including many that have not the direct and stimulating effect upon our economy as has our patent system.

Does not history teach that a strong influence in the destruction of civilizations has been the tampering, by sheltered theorists, with time-tested incentives that sustain creative and productive citizens in building a strong economy? Is it so difficult to remember that man is basically a predator and that it is always an error to make too readily available to a growing group of administrative citizens fruits of the production of others inspired by incentives which nonproductive men are so frequently inclined to misunderstand and destroy?

The problem in America today seems not to be to find ways to break down in confusion the separate powers delegated by the Constitution to the legislative, judicial, and executive branches of the Government. Our problem seems rather to hold true to the expressed intent of the Constitution to maintain, without dilution or disintegration, the separate powers and functions of the three branches of our Government in order that confusion may not destroy our economic integrity and may not thereby dilute the constitutional incentivism that has induced our creative and industrious citizens to establish an economy so fabulously rich in resources as to enable our Nation to divert from its Treasury to the treasury of foreign nations (who may or may not be our friends in future emergencies) such vast sums as to seemingly require us now to emphasize our domestic areas of personal destitution as one of the Nation's greatest responsibilities to correct.

It is estimated that the present drive of the Patent Office to tax and discourage the inventor would produce, if successful, an additional $13 million of revenue available to the general Federal funds out of which the Patent Office obtains its appropriations. It should be of keen interest that the $13 million involved represents only two-tenths of 1 percent of the average annual U.S. appropriation for foreign Federal aid in recent years. Why so stifle the incentivism that has given us our strength as a nation, merely to increase so minutely our funds available for strengthening the economies of nations that "have no eternal friends—only eternal interests."

Discouragement of inventive incentive in America could cost this country soon, in diminution of tax sources alone, many times the $13 million of added fees by which it is proposed in the bill to burden and penalize our inventive forces—the discouragement of which could deprive this Nation of power for that vastly continued economic growth essential to maintenance of our security.

Under date of September 4, 1962, I said, in part, to this committee, words which, for your convenience, perhaps should be repeated here—as follows:

"Back of all the smoke and dust thrown up from time to time by misguided assaults upon various features of our incentive economy, including that patent system which is its indispensable catalyst, there functions inexorably a law as basic as any other of the immutable laws by which our destiny is shaped.

"Let us coin a phrase—and call it 'the law of propulsion by incentive.'

"To build a strong nation there must be provided, and maintained persuasively, broad inducements to create and to produce.

"Therefore, in seeking to understand what has made America by far the strongest Nation in all history, we are led to expect within it—and we find within it—the strongest and most ingenious pattern of obstructions to piracy

ever devised—activating a normally diligent pepole having at hand adequate natural resources.

"The American Indian had at his feet every natural resource out of which our Nation has built its world supremacy.

"He exacted from those resources nothing beyond a hand-to-mouth subsistence.

"He was therefore defenseless against the slightly more advanced equipment of the invaders who dispossessed him.

"America otherwise is populated by races and nationalities migrated but yesterday from ancient foreign countries.

"Some of those countries have possessed, for untold centuries, natural resources even greater than those of our Nation.

"Until goaded by inventive diligence inspired in our incentive economy, those countries had made, out of those greater resources, no marked industrial progress, throughout a history infinitely longer than the comparatively short span of years elapsed since the founding of our Republic.

"Wherein lies the difference?

"From what has come, in America, the greater inspiration for invention and production?

"Surely, the answer must be somewhat obscure—or other nations, equally ambitious, would have found it.

"None of them did—completely.

"Thus again we are reminded that our Founding Fathers, but lately removed from the follies and oppressions of other lands, laid the pattern of our Constitution and our basic law more closely to the design of eternal verities than had been the pattern of life in any country.

"Immediately before you a proposed 'antipropulsion' law—S. 2225.

"S. 2225 (and present H.R. 8190) proposes that fees in the Patent Office be increased in amounts varying from 25 percent to more than 600 percent of the present fees.

* * * * * * *

"Even well-established case law relating to misuse of patents does not have such a 'sudden death' provision in it. It merely provides that the patent cannot be enforced until the misuse has been terminated, whereupon the patent assumes its full force and is available for prosecution of infringers.

* * * * * * *

"It is sometimes years before industry catches up with the invention—and wants a license, or wants to buy the patents. Punishing periodical 'maintenance' fees—as has been proven in foreign systems—would only serve—and perhaps are in fact here intended—to terminate patents prematurely—without compensation to the inventor—long before the normal expiration of the patent.

"The attitude of larger and richer corporations toward patents on inventions of smaller potential competitors varies with the sensitiveness of the conscience of the corporation. Some larger corporations are scrupulously considerate of competing patent rights, whether as yet commercialized or not. Some large manufacturers are notorious for their hostile and destructive attitude toward competing patents.

"Such large manufacturers scornfully appropriate patented inventions of smaller people, then bludgeon their way through whatever, if any, legal action the smaller fellow is able to finance.

"In fact there is found in the range of attitudes toward the smaller fellow's patent rights about every conceivable category of moral and commercial integrity, or lack of it, that can be found in any other area of human activities.

"It is not difficult to imagine that predatory manufacturers would be delighted to see enacted such a so-called maintenance fee provision as that of the present bill. From year to year such provisions would sweep conclusively out of competition with them thousands of hard-won patents on hard-won inventions, by inventors or smaller assignees who, if permitted to live, would have an opportunity possibly to recover something for their investment in money and effort made in responding to our Nation's constitutionally projected incentives to create and produce.

"Does it not seem reasonable to suggest that—if this oppressive system of taxation is adopted—the act should provide that, even after the patent has been suspended, the owner could reinstate it at any time, without prejudice, by paying the delinquent fees?

* * * * * * *

"Usually only prosperous corporations would be able to pay such maintenance taxes. The less prosperous owner likely would default and permit confiscation of his patent. In periods of prolonged depression even normally prosperous corporations might be compelled to forfeit potentially valuable patents.

"When a patent terminates, the inducement to start production of the product usually likewise terminates. It will be remembered how Government's persistent and prolonged efforts—to issue, for a few dollars each, licenses under patents presumed to be owned by Government—failed because the licenses offered gave no protection against copyists.

"Confronted with the appalling population explosion we are told is just ahead, maybe we would be wise to relieve our patent system of all its impediments, including stifling interdepartmental influences, and get more of the new industries and new employment that system has proved it can create.

"This Council suggests respectfully that there should be no increase in patent fees, no depressive taxation under the guise of 'maintenance fees.' And there should be no reluctance by Government to divert, out of the Federal Treasury, whatever funds may be needed to expand the services of the Patent Office. And, as a long-overdue stimulating facility, should not Government provide whatever new and enlarged building may be necessary to house vital activities in support of constitutional incentivism motivated by our patent system?

"And should we not give, to the need for funds to expand Patent Office facilities, priority over every proposed contribution to economic and military growth of foreign nations whose people may have no desire or capacity to understand—or emulate—the American incentive system that creates the wealth they seek from us?

"Why promote an expanded global image of Uncle Sam as Santa Claus, while our inventors and producers must see him as a nondiscriminating and constantly hungrier tax collector?

"Should we expect accelerated economic growth to result from an abandonment of the constitutional incentivism conceived and released by our Founding Fathers, and embrace instead a cold, mathematical, budgetary concept of our patent system?

* * * * * * *

"Patent Office fees are but a small part of the monetary return to the Government from inventions protected by patents. Every patented invention is a potential source of important revenue to Government through increased employment, and through taxes on incomes of new enterprises created to exploit such patented inventions.

"We are often reminded of stories of the origin and development of prominent industries in America. Back of most of those stories is an invention that somebody had the courage and felt the inducement to create, to finance, to develop, until it could be put into production.

"From there on, other related inventions, through diligent application to their development, built a stronger and stronger corporation giving employment to many thousands of people, and establishing sources of taxes of great importance to Government—in fact, tax income tremendously greater than the figures I have heard discussed . . . in connection with comparisons of the cost of operating the Patent Office under one fee arrangement or another.

"The public has been challenged more than once by National Patent Council to identify a single product of American industry—from baker's bread to building brick—that does not have embodied in it patentable, or once-patented, invention, or that has not been made cheaper and better because of patented or patentable inventions employed in its manufacture or transportation.

"That may seem like rather an astounding challenge. However, it has been made many times over the years, and no one has as yet come forward with a contrary example.

"If at some convenient time you want to get an intimate reaction to what that challenge means, just begin with your kitchen at home, then go through every room in the house. Examine every device, every facility, every appliance, that adds to the comfort, security, and convenience of modern living, and note how many of them still bear the old patent marks. Possibly the patent has long since expired and the mark is omitted. But almost everything you find there, from can openers to television, has come out of that fountainhead of creative incentive which is our patent system.

"What an amazing spectacle would be presented by a Congress governed by the erroneous presumption that our Patent Office is to be operated solely or par-

tially in the interests of our inventors and their assignees—and arguing therefrom that the Office should be self-supporting.

"And does not amazement increase when we see the same Congress continue a program of appropriating billions of our taxpayers' dollars to strengthen the economy—and military power—of foreign nations who may or may not prove later to be our friends.

"National Patent Council has long insisted that, in applying pressure to the goose that lays the golden egg, the neck should be avoided.

"Please be assured that the subject bill—with its ill-advised reach for general funds—will so restrict the respiration of the 'goose' as to seriously reduce our Nation's supply of creative 'golden eggs.'

"Yes, this bill's enactment would greatly discourage contributions of American inventors to our economic strength and national security.

"By so depriving our Nation of new fountainheads of creative and productive achievement, such an 'antipropulsion' law would be certain to impair public confidence in legislative processes that permitted such ill-advised infliction of deprivations upon our children's children.

"Those representing the budgetary approach to the questions here discussed have presented an imposing book of charts, figures and statistics apparently compiled at substantial expenditures of effort to establish facts having no relation to the basic constitutional purpose of the patent system.

"While in many respects interesting, that material could easily be disastrously misleading in the event that, among the inventors discouraged by enactment of the subject bill, there were to be a single Edison, Bell, or other similarly endowed creative citizen.

* * * * * * *

"On the question of who is the beneficiary of the patent system, may I make this suggestion:

"The patentee has merely a speculative interest in the patent—for 17 years only. As far as is known, Congress has not insisted upon granting to the patent owner, against his income from the patent, any depletion allowance against income taxes.

"If the invention is not a good invention and never serves the public, the inventor, or his assignee, will have lost his money and effort, possibly including 'maintenance fees' he may have paid.

"If it is a good and useful invention that is widely manufactured and sold, the public is the perpetual beneficiary.

"After 17 years, the invention is available to the public without any patent restrictions. Anybody thereafter can make it, as we all know.

"The availability to the public, after 17 years, is with no time limitation. There are still in wide use in America devices that came into being because of the inducement of our patent system, the patents on which have expired several times 17 years ago. The public remains the permanent beneficiary.

"It would be difficult to estimate what the Government collects in taxation of incomes from industries that would not exist today it it had not been for the inducements, the incentives, of our patent system.

"I would say that, on the basis of such division of benefits, it would seem that patent fees already are too high, and that so-called maintenance taxes could be classified as a form of extortion, or alternatively, as a device for the extermination of competitive patents.

"We have not heard from the testimony, so far, anything about the extent to which maintenance fees, or periodicals and ascending rates of taxes, in foreign countries, have served unfairly the selfish interests of large manufacturers in those countries. Those manufacturers no doubt would very much dislike to see any change in that tax system, because the system sweeps under the rug, from year to year, thousands upon thousands of patents that might otherwise have to be recognized with some sort of compensation to the man who labored long to create and/or helped finance the inventions.

"We have heard here that 70 percent of the patents today are issued to corporations. That makes no reference to a very decided trend that has been going on for many years in this country, since it came about that the inventor operating independently could not always finance his operations.

"So the man with talent—and I am speaking now from the experience of our own corporation—the man able to create, eager to invent, associates himself with a smaller corporation upon terms that give him a continued interest and income from whatever of his inventions it manufactures.

"We have a number of such men working with our corporation. Each has, based upon our sales volume, a permanent interest in, and income from, every invention of his that becomes a part of any product that we make, or that is made by one of our licensees. And that income continues beyond his death, to his family, during the full life of the patent.

"Thus we have diverted the broad incentives of the patent system to an internal apparatus that puts impetus and power into the smaller corporation.

"Many small corporations operate on the same basis—corporations that afterwards get larger—employ more people and pay more taxes—because of resultant creative contributions to their growth.

"Our corporation was set up in 1918. It has devoted itself for more than 40 years to the creation and production of patented inventions. Today it is a prosperous business, giving employment to about 1,200 people. It has at all times a large number of patents pending.

"Small—yes. But there are so many of those smaller operations throughout the country that in the aggregate they supply a tremendous amount of the impetus that our economy gets through incentives created by the patent system."

LOS ANGELES, CALIF., *February 21, 1964.*

Re Senate counterpart of H.R. 8190.

Hon. JOHN L. MCCLELLAN,
Chairman, Committee on the Judiciary, Subcommittee on Patents, Trademarks, and Copyrights, Senate Office Building, Washington, D.C.

DEAR SIR: The above bill purports to put the Patent Office on more of a self-sustaining basis by increasing the various fees charged to applicants for patents.

I believe that an increase in the filing fees, final issuance fees, and other fees for services performed by the Patent Office, is long overdue and much needed. The patent system is at the very core of the private enterprise portion of our economy, and every applicant for patent should be willing to pay his own way.

The proposal for maintenance fees (35 U.S.C. 41) to keep a patent "alive" throughout the period for which it is granted is, however, the most horrendous taxation plan I have ever heard. After the patent is issued the work of the Patent Office is finished, and additional charges are simply taxes.

This is not the way to encourage invention, or the investment of private funds in new developments for the future.

What I am saying is, in removing a Government subsidy for inventors which is both unnecessary and undesirable, let's don't go to the opposite extreme and tax them out of existence. And incidentally, it will be hard to explain to clients why recording a real property deed in the county record's office costs $2, but recording a deed to a patent costs $20.

Respectfully yours,

GENE W. ARANT.

P.S.—It is respectfully requested that this letter be included in the transcript of the record of your committee hearing on the above bill.

GWA.

LAW OFFICES, MANN, BROWN & MCWILLIAMS,
Chicago, February 20, 1964.

Hon. JOHN L. MCCLELLAN,
Chairman, Senate Judiciary Subcommittee on Patents, Senate Office Building, Washington, D.C.

MY DEAR SENATOR MCCLELLAN: It may easily be argued that the patent profession has done less than it should in presenting its views with respect to the Patent Office fee bill, H.R. 8190, but I am certain that no Senator would want to participate in enacting a Patent Office fee bill which would, in fact, have a strong adverse effect upon the economy of the country, and upon the incentives which underlie, not only invention itself, but also the commercialization of new products protectable by patent.

As one who has for many years been actively promoting ways and means for increasing rates of technological development in this country (see the attached copy of an excerpt from the May 1943 issue of Fortune magazine); [1] as one who,

[1] Article is not included in printed record, but is retained in committee files.

in the capacity of chairman of the advisory council of Northwestern University Technological Institute, is doing what he can to create excellence in the development of the scientist and engineer of tomorrow; as a patent attorney who has practiced his profession for 35 years and was president of the Chicago Patent Law Association in 1960; and as one who has been and is active on many local and national professional committees, may I urge the Senate subcommittee, and all Senators who will listen, with all the strength of my conviction, to defeat the Patent Office fee bill as represented in H.R. 8190.

It would be the greatest mistake in the world to discourage invention by increasing the Patent Office fees in the manner proposed by H.R. 8190, and this country cannot afford to take any steps which will lessen our rate of technological development.

The theory that the Patent Office should be self-sustaining by any given fixed percentage is completely fallacious and dangerous to the economy of this country—please believe me.

I am not opposed to some increase in Patent Office fees which represents to some extent change in the value of the dollar, although I believe that any increase in such fees tends to destroy the initiative and incentive which it is so important for this country to preserve in the field of development. I am completely opposed to any form of fee increase that includes maintenance fees, or fees based upon number of claims, pages of specification, or the like which go beyond present law.

In order not to be accused of negativism, may I say that there are many ways in which the goal of the Patent Office fee bill can be achieved without the type of fee increase which is proposed in H.R. 8190. One such approach is a simple change in the Patent Act itself which would not only greatly strengthen the patent laws and provide greater incentive for invention, but would also so simplify the practice before the Patent Office that the economies thereby effected would be the full equivalent of a fee increase. I, therefore, attach, merely as illustrative of an approach which can achieve the desired results without fee increase, a communication which I sent to the Honorable David L. Ladd on September 7, 1961, making such a proposal.

Again, I say that this country cannot afford to destroy or weaken incentives for invention and commercial development of new things; and that is exactly what would happen if H.R. 8190 became the law of the land.

Respectfully submitted.

ROBERT C. BROWN, Jr.

SEPTEMBER 7, 1961.

Re improvement in patent laws and examination procedures.

Hon. DAVID L. LADD,
The Commissioner of Patents,
Washington, D.C.

DEAR DAVE: Realizing how imperative it is for you to find some solution to the ever-increasing backlog of patent applications to be examined, I wish you would give serious consideration to the following analysis of the problem and my proposed solution, or at least partial solution, of the problem.

ANALYSIS OF PROBLEM

In my humble opinion, the patent system as it exists today attempts to do the impossible. The patent statutes require an inventor to define in his claims precisely his inventive contribution to the art; and the patent examiners, working in collaboration with the inventor's attorney, are presumed to know all of the pertinent art throughout the world, and, with such supposed knowledge at hand, then agree upon claim language which defines the invention and distinguishes it from the whole sum of human knowledge which preceded the invention. Obviously, this is impossible, and the penalty for failure to accomplish that objective is invalidity.

We learn in law school that the law abhors a forfeiture, and yet our patent system today continually creates situations which lead to forfeiture of an inventor's rights because of the impossible task of accurately defining his contribution to the art in the light of a supposed complete knowledge of all relevant prior art.

It is this very situation which has led attorneys through necessity to present in patent applications a multitude of claims of graded scope in order to guard

against the possibility of the broader claims being held invalid because of prior art not known at the time the patent issued. This, of course, has made the examiner's task much more complicated and time consuming, and certainly the courts have many times looked askance at patents with numerous claims for defining what appears to be a rather simple invention.

I firmly believe in the basic tenets of the present patent system, and certainly am opposed to a registration system as distinguished from an examination system; but I think that our patent laws must be revised to be realistic and to acknowledge an all too obvious fact that it is impossible for a patent examination system to be 100 percent efficient wherein the examiner has complete knowledge of all relevant prior art for any given invention.

PROPOSED SOLUTION TO THE PROBLEM

It is my belief that relatively simple changes in the patent laws could effect a substantial solution to the problem—not only from the standpoint of greatly simplifying Patent Office procedures, but, more important perhaps, in seeing that the inventor receives his just reward.

Specifically, what I would suggest is that section 112 of the Patent Act be amended to insert between the second and third paragraphs of this section the following paragraph:

"At no time during the prosecution of an application, or at the time of issuance of a patent thereon, shall there be more than five independent claims, except upon approval by the Commissioner of Patents, and any dependent claims may refer to one or more of the independent claims."

Also, in section 288, at the end of the section, I would add the following paragraph:

"It shall be the duty of the courts vested with jurisdiction of patent matters to give full weight to the presumptive validity of issued patents, and such courts shall have the power and responsibility to restrict any claim otherwise invalid to save to the patentee the inventive contribution that he has made to the art as disclosed in the specification."

WHAT THE PROPOSED AMENDMENT TO THE PATENT LAWS WOULD ACCOMPLISH

It seems to me that these two simple additions to the present Patent Act, and possibly some other changes which would be necessitated in the act by reason of these changes, would accomplish the following results:

1. If attorneys knew that courts had the authority and responsibility to read limitations into a claim in order to preserve its validity, or otherwise re-form the patent contract to limit the inventor to his actual inventive contributon to the art, they would not hesitate to abide by the spirit and letter of the new requirement as to the form of claims. It should be clearly understood that courts would have no power to enlarge upon the patent monopoly except under the doctrine of equivalence, because it still would be the duty of the attorney and examiner to agree upon the broadest form of claim that will define the invention disclosed in the application in relation to art of record in the application. Although courts have in some instances in the past read limitations into claims in order to preserve their validity, other courts have claimed no authority to do so, and have held meritorious patents invalid, with resultant discouragement of many subsequent inventors. An inventor should have the same privilege of patent contract reformation that any other contractee has before a court of equity, and I believe that my proposed solution would accomplish this result.

2. Some may argue that courts are not equipped to rephrase a patent claim that is too broad, but there are many ways to answer this objection. A court could remand a patent to the Patent Office for reformation in accordance with its opinion, or it could be required that in an infringement suit the defendant must give, say, 4 months' written notice prior to trial of all prior art intended to be relied upon, and the patentee would then have the opportunity within that period through special proceedings in the Patent Office to narrow his claims if required in the light of such relevant art. Actually, this is substantially the practice followed in British courts.

3. I believe that any patent examiner would agree that his task of examining an application would be immensely simplified if he had not more than five independent claims to consider from the standpoint of patentability; and, while the patent search would probably have to cover the dependent claims as well, the

principal concern of the examiner would be the patentability of the independent claims. This simplification of Patent Office procedures should go a long way toward reducing the backlog in the Patent Office, and would also reduce the cost of patent application drafting because of the simplified form of claims. Admittedly, there may be exceptional cases where five independent claims may not be adequate for a particular disclosure, but this circumstance could be covered by providing for a petition to the Commissioner for permission to present additional independent claims.

4. I have heard it argued that an objection to this proposal would be that anyone making an infringement investigation would have a difficult time knowing how to advise his client. Personally, I do not think that this is a valid objection, because any time that an infringement investigation reveals that a claim is infringed it is, of course, necessary to make a validity investigation; and from the validity investigation an attorney can easily tell whether he has a complete anticipation of the invention disclosed in the patent or whether his art has shortcomings which leave a residue of invention within the scope of the claim under investigation. Even now, an attorney has to pass judgment with regard to the doctrine of equivalence, and I do not believe that there would be any practical difficulty in requiring him to honestly appraise the shortcomings of the prior art which is relevant to the disclosed invention.

5. One of the greatest advantages to my proposal is the change of attitude which I believe would be instilled in the courts. For those judges who deplore the necessity of holding a meritorious patent invalid over prior art not known to the Patent Office at the time the patent is granted, the proposed change in the Patent Statutes would give them authority to give to the inventor his just reward. For those judges who perhaps relish the opportunity to get rid of a complicated patent infringement case on the basis of new art, it would now become their duty and responsibility to see to it that the rights of the inventor were not forfeited by the inadvertence of the Patent Office in not citing all relevant art. All of this, in my judgment, would give a new flavor to the patent system and would greatly enhance its effectiveness in promoting invention and new development.

There is much more that could be said about my proposal, but already this letter is too long. However, I think I have given you my basic thinking on this subject, and, if it appeals to you and to others in the Patent Office, I should be glad to make it my job and responsbility to try to get the support of the patent bar.

I shall appreciate receiving your reaction to this proposal; and, for your convenience in having others appraise it, I am enclosing four additional copies.

Yours very truly,

ROBERT C. BROWN, Jr.

NEW YORK, N.Y., *March 19, 1964.*

Re H.R. 8190 (S. 2547), Patent Office fee bill.

GEORGE GREEN, Esq.

Counsel, Senate Judiciary Committee, Subcommittee on Patents, Trademarks, and Copyrights, Senate Office Building, Washington, D.C.

DEAR SIR: This statement is submitted in respect of the Patent Office fee bill H.R. 8190 (S. 2547), now under consideration by this committee. The writer is a former Patent Office examiner, lecturer on patent law at Columbia University, and is a practicing attorney in the field for some 30 years. It is presented on behalf of small- and medium-sized businesses and individual inventors, many of whom my office represents.

While giant corporations such as General Motors, Du Pont, General Electric and RCA dominate public attention, it is the thousands of small- and medium-sized businesses throughout the country that are the lifeblood of American industries. Not only do they provide employment for millions of Americans and produce millions in revenue through taxes, but they provide a balance and stability that would be lacking if industry were taken over entirely by gigantic corporations controlled by a small number of men.

Most small businesses are born from a new idea and survive through the ability to protect that idea by our patent laws. Through continued protection, they may grow into medium or large companies. For example, Bendix Aviation stemmed from a novel idea by Vincent Bendix, for whom I was patent counsel, and survived through his ability to get a patent on the new Bendix drive

for self-starters. If Vincent Bendix had not been able to protect his ideas from pirating, Bendix Aviation might well have died in its infancy.

The development of a new idea into an industrial product requires a great deal of time and money. The first few years are characterized by outgo rather than income. In order to secure the necessary risk capital either from individuals or from a public offering, it is necessary to have protection. The first thing asked by prospective backers is: "Do you have a patent or patent application?" Without protection, it is not possible to obtain the capital needed to carry an embryonic company through the development period.

The importance of patents in the birth of new industries can best be illustrated by specific examples.

1. Stephen Lavoie was an electronics engineer with ideas of new equipment in the electronics field. Among these new ideas was a wave meter for accurately measuring ultrahigh frequencies such as those used in radar and other high-frequency equipment. With a patent application on his wave meter, Lavoie set up the operation of a "laboratory" in his basement. His patent was challenged by a larger company in the electronics field, but Lavoie was successful in litigation. From the nucleus of this wave meter, Lavoie Laboratories has grown into a company employing hundreds of engineers, technicians, and workmen, and produces highly sophisticated electronic equipment for the U.S. Government and others. The Government has participated in the success of this company from the thousands of dollars paid in taxes by the business and on the salaries paid its employees. Moreover, in addition to direct benefits, the Government has profited from other business generated by Lavoie Laboratories through its purchase of materials, components, and supplies.

2. Howard Lindemann was an expert in optics with some knowledge of electronics. In 1947, he set up a one-man company to manufacture specialized equipment involving optics and electronics. Lindly & Co. was incorporated in 1951, and public in 1955, and now has about 1,000 stockholders. The first large-scale production of the company was a yarn inspector capable of inspecting hundreds of yarns simultaneously and detecting defects which would cause waste in products made from the yarn. This equipment satisfied a long existing need in the industry and has been installed in almost all of the textile mills in this country as well as abroad. The company has gone on to develop other specialized equipment for the textile industry, including an electromagnet tension control system.

Early in its history, Lindly & Co. was threatened by a larger company which blatantly copied Lindly equipment and thus saved itself the cost of developing equipment of its own. Only through patent litigation was Lindly able to protect itself. Except for the protection afforded by its patents, Lindly would not have survived.

The success of Lindly & Co. has benefited the national economy, not only by improving the production of American textile mills through use of its equipment, making them better able to compete with foreign mills, but also through the export of its equipment to foreign countries. Last year, 45 percent of its production was sold abroad, thus helping to stem the outflow of American gold.

These two instances are representative of thousands and tens of thousands of businesses that owe their existence to the protection afforded by patents.

If the Government operated the Patent Office as a free service to promote industry—as the Department of Agriculture assists farmers—the cost of operation of the Patent Office would be the best investment the Government could make. The income derived through taxes on the business generated and fostered through patents and on the salaries and wages of persons employed by such industry far outweighs the small cost of running the Patent Office. Moreover, the new products generated by inventions find markets abroad (as in the case of Lindly), to help stem the flow of gold from the United States.

Additionally, by reason of the international conventions the existence of an American patent application makes it possible for American inventors to secure patents in foreign lands, thus helping Americans to compete in those countries producing income by way of profits and royalties. Such income not only helps correct the balance of payments, but results in many tax dollars to the Government. American patents thus are one of the principal channels for the sale abroad of American know-how. All of these desirable results are placed in jeopardy by a proposed scale of fees calculated to materially discourage the filing of patent applications by small firms and individual inventors.

It is not suggested that no fees should be charged by the Patent Office. It is desirable to have fees sufficiently high to restrict the filing of patent applications on frivolous inventions. But there is no more justification for expecting inventors to pay fees sufficient to support the Patent Office than for requiring farmers to pay fees sufficient to support the Department of Agriculture. A fact not fully realized is that the services performed by the Patent Office are, for the most part, services for the public and not for the inventor. The efforts of the Patent Office examiners are devoted not to the issuance of patents, but to rejecting patent applications and requiring cancellation and limitation of the claims of patent applications so as to restrict the scope of protection granted to the inventor. Even the Board of Appeals rejects twice as many patents as it allows. Even the printing of patents—a major item of expense—primarily benefits the public. Inventors would, for the most part, prefer their patents not to be published. In some countries, patents are not printed. But published and classified U.S. patents provide the U.S. public and industry with the most outstanding and useful technical library in the world.

The following is a side-by-side comparison of fee costs (under present and proposed fee schedules) for two types of applications most commonly filed by the class referred to. The first is a simple application with 10 dependent claims, the second, slightly more complicated, having 20 such claims. The assumptions are based upon what is believed to be common cases. Note that the fees for the attorneys preparing the applications are an additional item of cost to the inventor.

	Proposed fees	Present fees
Example 1 (10 claims):		
Filing application and 1st claim	$50	$30
9 additional claims	90	----------
Assignment	20	3
5 pages printed	50	----------
3 pages drawings	6	----------
Issuance	75	30
Subtotal	291	63
Appeal fee	100	25
Total	391	88
Example 2 (20 claims):		
Filing	50	30
9 additional claims	90	----------
10 additional claims	20	----------
Assignment	20	3
8 pages printed	80	----------
5 pages drawings	10	----------
Issuance	75	30
Subtotal	345	63
Appeal fee	100	25
Total	445	88

Based upon a simple application with 10 independent claims, you will note that the difference in cost for merely filing the application exceeds $225, and in the event of an appeal, which is quite a common occurrence, an additional $75 difference is added.

In a more usual case in which there might be 20 claims, together with 5 sheets of drawings, you will see that the difference in cost, assuming that the fees for preparing and filing the application to the attorney remain constant, is $282. Adding $75 in the event of appeal yields in a very ordinary case an increase in fees alone of $357. This ignores the fact that many applications technically cover more than one invention and that divisional or continuation applications are frequently filed, almost doubling the cost of fees.

That fees of this stature, merely for the right to file an application and prosecute the same, are excessive, whether an individual or small company is concerned, is manifest. Indeed, the effect of this act would be to make patent protection primarily available to solely larger corporations or more affluent individual inventors. The struggling Edison would frequently be forced to choose between feeding his family or patenting his invention. The other alternative is to sell out to bigger business. The net effect is to penalize the ingenuity

and ambition of individuals to the benefit of large companies and the ultimate detriment of the public good.

Indeed, the proposed fees for an appeal provide for the payment of $100, as opposed to $25 at the present time, of which $50 will be refundable under certain circumstances. Thus, the impecunious inventor would be forced to advance to the U.S. Government $50 which he may, in all events, get back. It seems incredible to the undersigned that this act may, in fact, result in preventing someone from appealing because of his inability to raise $50 which, in all events, he may not have to pay to the Government.

It should be further pointed out that the hardship to the small- and medium-sized inventor is compounded when it is realized that Patent Office fees are tax deductible items of expense. Thus, assuming the new schedule of fees would raise, for example, $10 million for the Patent Office, 48 percent of that sum under the new tax schedules for corporations would, in fact, be coming from the Treasury by way of tax deductions. As a result, the net increase in fees would not mean a concomitant net increase of revenue to the Government, but would, in fact, mean an increase of 52 percent in the case of fees paid by large corporations and somewhat greater in the case of individuals in lower tax brackets. Ironically, therefore, the fact that large corporations would be in a 48-percent tax bracket would have the result that such corporations would only bear 52 percent of the increase in cost, whereas in the case of a small inventor who might be, let us say, in a 20-percent tax bracket, the net effect would be that he would bear 80 percent of the increase.

Thus, not only will the increase in fees not result in an equal increase in net revenue to the Government, but, in fact, will mean that to the extent that revenues are increased, that the greatest proportion of the burden will be borne by those least able to afford it. I might state from my own experience over the years that I am convinced that many inventors with meritorious and worthwhile inventions would not seek patent protection if the cost in fees alone were of the amount indicated above, upward of $400 in a usual case.

Indeed, it is submitted that the fees contemplated by this act are so excessive that they would effectively serve to deprive certain classes of inventors from patent protection in its entirely and it is believed that the fees are so excessive that this raises a serious constitutional question as to the validity of this act. There is no doubt in my mind that the imposition of such excessive fees effectively discriminates against a broad class of patentees on economic grounds and in effect deprives them of an opportunity to secure their constitutional right to patent protection for their inventions.

It is thus believed that the statute is objectionable on a policy basis because it will not result in a net increase in revenue equal to the increase in fees, that the increase in fees will not be evenly distributed but will be most heavily borne by those least able to afford it (by virtue of their lower tax bracket), that it will deprive the individual inventor in many instances to his right to patent protection in favor of large corporations and wealthy individuals, and that the fees are of such magnitude as to raise a serious constitutional question as to the validity of the statute.

In a recent article in the magazine Nation's Business, March 1964, entitled "Here's Way To Make More Jobs," Prof. Herbert Northrup, chairman of the department of industry of the Wharton Business School of the University of Pennsylvania, concluded that a major consideration in regard to and the solution to unemployment is a need for the Government "to stop harassing industry." The proposed increase in fees for obtaining a patent acts as a harassment on individual inventors and small companies and tends to concentrate patents in the hands of those who can afford the already high costs of patent prosecution and appeals to the courts. The cost of obtaining a patent can already result in costs exceeding several thousands of dollars if a patent application is related to a similar invention, thus requiring an adjudication or determination of priority of inventorship or if an appeal is required for the Court of Customs and Patent Appeals subsequent to a rejection by the Patent Office Board of Appeals or an adjudication as to the priority of inventorship.

The proposed fees are in direct variance with the antitrust laws which seek to preclude a concentration of economic power. The act would favor those financially able to meet the burden of patent prosecution thereby resulting in a concentration of patents in the hands of few rather than many.

According to the experts this year, America will take in $34.5 billion in dealings with foreigners. But the United States will spend, lend, and give foreigners

$36.4 billion, nearly $2 billion more than it receives. This balance is, of course, a potential drain on our gold. The problem of controlling our gold outflow is easier said than done. The devaluation of the dollar which certainly hurts everyone and the U.S. influence in the world almost certainly could wither. Thus, the balance-of-payment problem and the stability of our currency are of vital interest to everyone. One way of assisting the saving of gold and balancing inflow and outflow is by helping the production of new inventions resulting in new products marketable in other countries. The theory that the U.S. Patent Office should be self-sufficient or even relatively largely self-sufficient, overlooks the fact that the basis of a healthy industry is new products, and the protection thereof in this country and foreign countries. An increase in the cost of obtaining patent protection in this country increases (disproportionately to the large firm) overall costs for the small manufacturer who must also obtain patents in foreign countries to protect himself. Furthermore, the constant cry that American industry must be protected by tariff barriers and other similar devices is diminished when inventors and industry have American patents. Foreign importers cannot import their products into the United States without paying royalties to American inventors or industry or otherwise be barred. Thus, our patent system clearly protects American industry and should not be undermined.

It has been said that at no time in our history have ideas been of such great importance. Ideas with respect to science, technology, and the social sciences are important to the sunrvival of our country. Exacting a tax under the erroneous title of a fee as to inventions may well result in a poverty of ideas and will certainly not, in any manner, spur inventiveness but will act as a direct depressant. This is not only true of the very high filing fees, but also of the renewal taxes.

From the discussions with respect to the act passed by the House of Representatives, it is quite apparent that at least some of the Representatives were under the mistaken notion that increasing fees would diminish the workload of the examiners since those patents which may be permitted to lapse for nonpayment of fees would not have to be examined by the examiner searching the prior art. As a matter of fact, this is not the case since these patents must be considered part of the prior art even though they have lapsed. Thus, the payment of fees does not accomplish the reduction of costs of the operation of the Patent Office. However, the initial filing costs and the increases in patent prosecution costs even before patent issues are the more important concern, since presumably a successful patent results in the production of income and the tax on it subsequent to the grant will not be as important as the deterrence of the costs of filing an application and appealing it in the Patent Office.

The increase of fees may well have the effect of a prior restraint and an effective censorship as to what is to be brought to the attention of the American public. There is no doubt that the freedom to invent will diminish and with it disclosure of ideas. And this at a time when ideas are of great importance to our country.

The increase of the fees, for example, to $100 for appealing a decision of the examiner to the Board of Appeals in the Patent Office establishes a hierarchy of rights in direct opposition to the mandates of the Federal Constitution and certainly has constitutional overtones. For example, a litigant can protect a federally created right by the payment of a nominal fee and make an extensive use of our courts and then further appeal a decision from a lower court to an appellate court for a nominal fee. The inventor, if he finds himself aggrieved by a decision of an examiner, must pay four times as much as a litigant to appeal and the inventor, while not having an absolute right to a patent, at least has the right to seek to obtain a patent and yet is in effect penalized if he attempts to determine this right. Thus, the theory that the U.S. Patent Office should pay its own way and the inventor should assist in paying this is in complete variance with the constitutional mandate pursuant to which Congress established the Patent Office.

The quid pro quo in the contractual relationship between the Government, the public, and the inventor is that the inventor will release to the public after 17 years his invention in exchange for limited protection during this period of 17 years. The quid pro quo is not a tax as apparently the statute sought to be passed assumes. And certainly a fee (really a tax) increase required from an inventor to assert his rights discriminatorily as against another class of rights (Federal litigants) clearly is at variance with our Constitution.

In an age where the very life of our Nation is at stake and our economic and industrial leadership is challenged from all sides, the freest possible patent system is the correct way of spurring ideas that foster greater income to our citizens, increases of revenue for the Government and greater stability to our country, thereby assisting in the economic and social health of our country. To undermine these objectives, while placing an increased burden on those least able to afford it, is believed to be doubly reprehensible.

The act should not be passed in its present form.

Very truly yours,

ROBERT E. BURNS, *Attorney.*

LOS ANGELES, CALIF., *February 25, 1964.*

Re Senate counterpart of H.R. 8190.

Hon. JOHN L. MCCLELLAN,
Chairman, Committee on the Judiciary, Subcommittee on Patents, Trademarks, and Copyrights, Senate Office Building, Washington, D.C.

SIR: As a member of the State Bar of California currently engaged in the practice of patent law, I should like to take this opportunity to briefly express some of my views concerning the above-identified bill which I understand is soon to be studied by your committee. I hope that these remarks will be of assistance in your evaluation of this bill.

As you probably know, the aforementioned bill is concerned with increasing fees charged by the U.S. Patent Office, a purpose which I and I am sure most others, feel is generally desirable. However, there are two specific provisions in H.R. 8190 which I earnestly believe should be eliminated from the bill since their inclusion would, in my opinion, have a most detrimental effect on the U.S. States patent system. These provisions are—

(1) An additional fee for each page of specification printed and for each sheet of drawing in an issued patent;

(2) An additional filing fee for each independent claim in excess of one which would not be applicable to the dependent claims in excess of one.

The reasons why I find these provisions objectionable are as follows:

With respect to the charge per page of specification and sheet of drawings, the purpose of the patent system, as set forth in article I, section 8 of the Constitution, is "To promote the progress of science and useful arts by securing for limited times to authors and inventors the exclusive right to their respective writings and discoveries." In return for rewarding an inventor with exclusive rights to his invention for 17 years, an inventor must furnish to the public a full and clear disclosure of his invention, rather than keep his invention a secret. By charging an inventor a fee which varies in accordance with the length of his disclosure, he would be encouraged to disclose as little as possible, thereby providing a result which is completely contrary to the basic philosophy underlying the patent system as set forth in the Constitution. In order to better appreciate this, consider the following example: Suppose an inventor conceives of an invention having two embodiments A and B. Under the present system, he files a patent application disclosing both embodiments A and B, and the patent issues. Someone else reads the patent, is intrigued by embodiment B, engages in experimental work on embodiment B, and as a result invents an embodiment C which becomes far more beneficial to society than either embodiment A or B. Under a system according to the proposed legislation, the inventor, in an attempt to save his own money, would be encouraged to disclose only embodiment A in his patent application. Therefore, embodiment B might be kept a secret from the public and the second inventor, never having had the benefit of the patent disclosure relative to embodiment B might never, or at least not until a substantial time later, have developed embodiment C.

With respect to the portion of the bill discriminating between dependent and independent claims with regard to fee, the purported benefit in reducing the number of issues to be considered during examination of these claims is illusory. The effect of this provision would be to encourage those who draft patent applications, especially on complex inventions of clients with limited funds, to be guided by monetary considerations when drafting the claims, although the sole criteria should be to draft claims which best protect the invention. Under the proposed legislation, claim programs could readily be drafted which provide as much, if not more, examination time than under the present system, and with

essentially no additional revenue accruing to the Patent Office via the discriminatory fee provision.

For the foregoing reasons I urge that the provision providing an additional fee for each page of specification printed and for each sheet of drawing and the provision providing a discriminatory fee for independent claims be eliminated from H.R. 8190. In the event it is felt that the elimination of these provisions would substantially decrease the overall revenue provided by the bill, the remaining fees could be increased by appropriate amounts to provide the same overall revenue. Thus, the desired revenue could be provided without a detrimental effect on our patent system.

In closing, let me stress that because a particular area of legislation may not be as widely publicized or as glamorous as other areas, nevertheless it should not be taken lightly, and hasty, poorly thought-out legislation should be avoided. Therefore, I urge that before any hasty decisions are made, those people who have had experience in and are familiar with the area under consideration should be consulted, and all ramifications of the proposed legislation should be ascertained.

It is respectfully requested that this letter be included in the transcript of the record of the hearing on the aforementioned bill.

Thank you for your time and consideration of the foregoing comments.

Very truly yours,

PAUL M. COBLE.

COLGATE-PALMOLIVE CO.,
New York, N.Y., March 19, 1964.

Hon. JOHN L. MCCLELLAN,
Senator from Arkansas,
Senate Office Building,
Washington, D.C.

DEAR SENATOR: I am sending you herewith a statement which I have prepared about the Patent Office fee bill, H.R. 8190 (Willis) which was passed by the House of Representatives on January 22 and is now pending before the Senate Judiciary Subcommittee on Patents, Trademarks and Copyrights.

It will be appreciated if you will give the enclosed statement your careful consideration in connection with the deliberations on this bill.

Sincerely yours,

GEORGE H. MORTIMER,
Assistant General Counsel, Patents.

STATEMENT BY GEORGE H. MORTIMER, ASSISTANT GENERAL COUNSEL, PATENTS, COLGATE-PALMOLIVE CO., RELATIVE TO THE PATENT OFFICE FEE BILL, H.R. 8190

This statement is respectfully submitted for consideration by the Committee on the Judicary and by the Senate in their deliberations on the proposed act to fix the fees payable to the Patent Office and for other purposes, known as H.R. 8190.

STATED PURPOSE OF THE BILL

The Willis Report No. 949 states:

"The purpose of H.R. 8190 is to increase fees payable to the Patent Office so that a reasonable part of Patent Office costs may be recovered. In so doing, the bill also seeks to encourage better prosecution of applications, fix payments at more convenient times, and reduce the volume of unused patents" (p. 2.)

Recovery of a reasonable part of Patent Office costs

The Willis report predicts that the enactment of this bill would ultimately permit the recovery through fees of approximately 75 percent of Patent Office costs (p. 2). The Willis report quotes on page 2 an excerpt from a letter dated April 18, 1962, from the Director of the Bureau of the Budget to Subcommittee Chairman Willis stating the general policy of the administration with respect to charges for Government services rendered to identifiable recipients. It seems to be the view of the administration that the Patent Office falls within the principle stated in title V of the Independent Offices Appropriation Act of 1952 (5 U.S.C. 140) that services rendered to special beneficiaries by Federal agencies should be self-sustaining to the fullest extent possible.

The Willis report is devoid of any recognition of the fundamental purpose of the patent system as embodied in article I, section 8, of the U.S. Constitution

that "the Congress shall have power * * * to promote the progress of science of the useful arts, by securing for limited times to authors and inventors the exclusive right to their respective writings and discoveries."

The beneficiaries of the patent system are not the inventors and their assignees primarily but the general public. The granting of a patent has been viewed by the Congress and the courts as a contractual arrangement between the Government on the one hand and the inventor on the other in which the consideration passing from the inventor to the Government is his disclosure and the consideration passing from the Government to the inventor is the protection of the invention for the limited period of 17 years. The benefits to the public from the disclosure of inventions in patents has been completely overlooked in or deliberately omitted from the Willis report. It is respectfully submitted that the benefits to the public from the patent system rather than the raising of a specific proportion of the costs of the Patent Office should be the determining factor in deciding on the wisdom of the proposed changes in the fee structure.

If the fees for filing and issuing patents are placed at such a high level that the disclosure of inventions through applications for patent is discouraged, the constitutional purpose will be impaired. It is submitted that the proposed fees will have a serious deterrent on the number of patent applications which are filed and therefore the numbers of disclosures which will become available to the public. The inventor receives only a limited protection of 17 years (a maximum of 14 in the case of designs) from the grant of a patent on his invention while the public has the benefit of the invention forever after the patent expires. Surely the benefit to the public far outweighs the limited benefit to the inventor and his successors in title. The proposition therefore that 75 percent of the fees should be recovered from the inventors or their assignees seems completely out of scale to the respective benefits to the public and the inventors.

At the present time, according to the Willis report the Patent Office is recovering about 30 percent of its costs from fees it receives. This does not seem out of line in relation to the respective benefits to the inventors and the public from the grant of patents. If fees must be raised, however, it seems to me that there should be no incentive on the part of Congress to increase the proportion beyond 50 percent in order to keep at a minimum the deterrents on the incentive for the making of disclosures which inure ultimately to the benefit of the public.

Provisions seeking to encourage better prosecution of applications

The provisions of H.R. 8190 which appear to be proposed for encouraging better prosecutions of applications are the following:

1. The $10 charge for each claim in independent form which is in excess of one which is presented at the time of filing or at any other time.
2. The charge of $10 for each page of specification as printed.

The first applies a strong economic sanction to compel or at least encourage the use of dependent claims and for restricting the total number of claims to 10. The second is a strong economic sanction to compel or encourage short specifications.

These provisions in the fee bill are not for the purpose of raising revenue primarily, but for the purpose of effecting substantive changes in the Patent Act and the practice under it by indirection.

The reason why we have as many claims in the U.S. patents and why we have long specifications can only be understood by a prolonged and exhaustive study of the decisions of the courts and Patent Office tribunals which have dealt with validity of patents, infringement of claims of patents and adequacy of disclosure in specifications of patent applications and patents. A complete account of this history is not practicable in this statement. I shall have to state conclusions based on many years of experience in the practice of my profession and the study I have made of the development of the patent system in the United States.

First, with respect to claims, the Patent Act of 1836, the earliest U.S. statute making provision for a claim at the conclusion of the specification, resulted in patents with a relatively few number of claims very much along the line of the claims now used in Germany, Japan, and some other foreign countries where the number of claims in patents today is still very small as compared with the number in U.S. patents. When these patents with few and simple claims came before the courts, they were frequently held not to satisfy the statutory requirements. As a result of many such adverse decisions patent attorneys in the

interests of protecting their clients' inventions under the decisions of the courts felt themselves compelled to define the invention with far greater specificity and to include a number of claims with varying definition so as to give the best possible likelihood of meeting the various views of judges with respect to the statutory requirements. As the body of the law has increased and as the complexity of inventions has increased, it has also been necessary, under the prevailing intepretation of the courts, to have a more and more complex claim structure.

The attempt to bring about a change in the claim structure of patents, necessitated by the substantive law as it has developed, through a fee bill without making changes in the substantive law to relieve inventors and their counsel of these serious problems is, in my opinion, a grave mistake.

I am sympathetic to the view that the claim structure should be simplified. This, however, should be attempted only by change in the Patent Act itself and not by economic compulsion through a fee bill where these substantive changes are not adequately considered from the standpoint of public interest as well as the inventor's interest. I think it is wrong therefore to put a penalty on the inventor or his assignee by such a fee bill without at the same time giving him relief through an adequate change in the law with respect to the nature of the claim and its requirements.

With respect to the dependent versus independent claim, I have no serious criticism against the use of dependent claims where adequate provision is made in the substantive law against having the dependent claim held invalid merely because the main claim has been declared invalid. The proposed amendment to section 112 of title 35 in section 11 of H.R. 8190 in my opinion does not accomplish this. All it provides is that the dependent claims shall be construed to include all the limitations incorporated by reference into it. In my opinion this amendment should be revised to read as follows:

"A claim may be written in independent or dependent form, and if in dependent form, it shall be construed as though it were independent and includes all the limitations of the claim incorporated by reference into the dependent claim."

Second, with respect to the description of the invention sometimes referred to as the specification, the provision in the fee bill for a charge of $10 per page of specification is an economic device for compelling or encouraging shorter descriptions of the inventions. The statute requires that the description be "in such full, clear, concise, and exact terms as to enable any person skilled in the art to which it pertains, or with which it is most nearly connected, to make and use the same and shall set forth the best mode contemplated by the inventor in carrying out his invention."

As with the aforestated complexity which has developed since 1936 in the claim structure, so the length of specifications in patents is primarily the result of many holdings by Patent Office tribunals of inadequacies of the description in patent applications as the basis for the claims which were sought and similar holdings by the courts as to the descriptions of inventions in issued patents. Here again the fee bill is attempting to do by indirection what should be undertaken by direct change of the substantive language of the Patent Act. The examiners in many divisions, particularly some of the chemical divisions, are so unreasonable in the specificity with which they demand an invention to be described that an applicant cannot observe the requirement of the statute to be concise. The examiners do not properly apply the test of what one skilled in the art would be able to do as a result of the disclosure but insist on such things as working examples for everything covered by the claims. It is my opinion that the correct way of accomplishing the objective of shorter, more concise specifications is to amend the patent statute to set up more definite standards for the disclosure which will enable appellate tribunals and the courts to uphold the concise patents against attacks that the description is inadequate and does not satisfy the statutory requirements. I do not think that it is right to try to bring about these substantive changes indirectly instead of attacking the problem forthrightly with full opportunity for consideration of the pros and cons in the hope of arriving at a satisfactory and fair solution which will effectuate the constitutional purposes of the patent system as well as reduce and simplify the disclosures of applications for patent.

Fix payments at more convenient times

It is assumed that this purpose is intended to be accomplished by the imposition of maintenance taxes. There are a number of reasons why the provisions

of the proposed bill H.R. 8190 should not be enacted into law. Among them are the following:

1. The maintenance fee, however it is denominated, is a direct tax on the patent as a piece of property. It is unconstitutional under section 9, article 1, section 1 of the U.S. Constitution because it is not laid in proportion to the census or enumeration for which the Constitution makes provision.

2. It is discriminatory in section (f) in that it grants to an inventor the right to delay the first and second maintenance fees under certain circumstances but denies the same privilege to the inventor's assignor. In other words this a personal privilege applicable only to the inventor who has not assigned his invention but it is an inalienable right which he cannot pass on to a subsequent titleholder.

Reduce the volume of unused patents

One objective of the maintenance fees is the removal of so-called "deadwood," meaning patents which are not being presently commercially used. The objective has been argued to be a worthy one because it would reduce the work of the Patent Office. This is a completely fallacious reason. The Patent Office, in determining the patentability of the claims of an application, is not concerned with whether a patent is in force or not. The examiner's only interest is in finding out what a prior patent discloses and he is obligated to search the whole prior art—not only patents in force. In other words he uses issued patents primarily as publications and in the United States it is immaterial to the question of patentability how old they are or whether they are still in force. The examiner does not consider the question of infringement or right to use the invention of a pending application.

Another argument in favor of maintenance fees is that they would reduce from some 850,000 to some 430,000 the patents still in force after the full effect of the maintenance fees has been felt. It is said that this would result in simplification of infringement searches and other investigations primarily concerned with patents still in force and that this would be a considerable help to industry. There are two aspects of this which it is important to consider:

1. What will the Patent Office do about marking the patents in the public search room to show that they are still in force? If the Patent Office is merely going to publish lists of patents that have lapsed for failure to pay the maintenance fee, the search will be lengthened rather than shortened. If the Patent Office is going to mark the patents on which maintenance fees are not paid it will require a substantial increase in staff with resultant increased costs and to that extent defeat the net benefit from the maintenance fees.

2. The proposition that it is desirable to have patents terminate earlier than 17 years from the date of the grant strikes at the very root of the Government's consideration in asking for the disclosure. If it is desirable to have patents terminate short of 17 years, this should be taken care of by change in the duration of the life of the patent rather than by the imposition of economic sanctions against those least able to bear the burden. It is not unusual, moreover, for the progress of the art to be sufficiently slow that 10 or 15 years may elapse from the date of grant before a pioneer invention gets into widespread commercial use. Who can foresee at the end of 5 years or even 10 years what the course of development of a particular art is going to be over the remaining normal life of a patent and be able to reach a wise conclusion as to the advisability of keeping his patents in force? Why should not an inventor or his assignee be able to reap the rewards of a 17-year patent in the future as he has in the past without having to remake this decision at the end of 5 years and 10 years against the necessity for making a substitutional payment to maintain the patent in force?

MISCELLANEOUS OBJECTIONS

Assignment fee

The proposed fee of $20 for recording an assignment of an application or a patent or any other paper admittedly is far in access of the Patent Office costs for recording the instrument. I submit that it is bad in principle to levy an exorbitant and unreasonable fee for a service on the mere theory that it is the more important patents which are recorded. The basis is false and the principle is wrong.

Appeal fee

The appeal fee is set at $100 with a possibility of refund up to $75 if an oral hearing is not requested and if the appeal is withdrawn prior to consideration by the Board. I submit that it is wrong to exact the fee initially and then have to go to the expense of refunding. It would be much simpler and fairer to provide for a $25 fee for filing the appeal, for an additional $25 if it goes to the Board on brief, and another $50 if an oral hearing is requested.

Copies of patents to libraries at $50 per year

I object to the special rate for patents for libraries under which they are able to buy all of the patents issued in 1 year for a nominal fee of $50. At the present rate of about 50,000 patents a year and 25 cents per copy the value is about $12,500 per library. If it is a benefit to the public to have these patents in libraries why should the libraries not pay the full value? The effect of this proposal in the light of the stated purposes of the fee bill is to impose upon the inventor not only the cost of examining his application but also the cost of supplying public institutions with copies of his patent. This seems completely unreasonable and unfair.

Ratio of fees to costs

Considerable stress is placed in the Willis report on the decrease in the ratio of fees to costs in the Patent Office. It is pointed out for example on page 25 that in the period from 1900 to 1940 the income from fees actually exceeded operating costs in 22 years whereas in 1963 it had dropped to a low point of 31 percent. It is submitted that a full study of the reasons underlying this decrease in ratio of fees to costs would show that in the last 20 years a tremendous overhead has been added to the Patent staff. I believe that such a study would show that the ratio of examining personnel, i.e., none who are actually involved in the examination of patent applications, to total Patent Office employees would follow essentially the same decrease in ratio as the fees to costs. In other words a large number of employees has been added to the Patent Office staff who perform various services not connected with the examining function and it is the overhead of carrying all these employees which accounts in large measure for the decrease in the fee-cost ratio. Whatever may be the desirability of having all these employees, it is submitted that the inventors and applicants for patents should not be asked to sustain them through the fees they pay for obtaining the patent.

Dodd bill

On Feberuary 25 Senator Dodd introduced a new bill S. 2547 to fix Patent Office fees. If it is decided that a fee bill is necessary I strongly urge and recommend that serious consideration be given for the Dodd bill in preference to H.R. 8190 since it avoids most if not all of the objections voiced above against H.R. 8190.

CONTINENTAL OIL CO.,
Ponca City, Okla., February 18, 1964.

Hon. JOHN L. MCCLELLAN,
Chairman, Senate Judiciary, Subcommittee on Patents,
Senate Office Building, Washington, D.C.

DEAR SENATOR MCCLELLAN: In response to the telegram of February 18 from Senator Hugh Scott (copy enclosed), it is hereby requested that the enclosed letter pertaining to H.R. 8190 be filed as a statement for the record in the Senate hearings to be held on this bill.

Yours very truly,

J. B. PETERSON,
Supervisor of Trademarks and Licenses.

[Telegram]

WASHINGTON, D.C., *February 18, 1964.*

JEROME B. PETERSON,
Legal Department, Patent Division, Continental Oil Co.,
Ponca City, Okla.:

Re your recent communication H.R. 8190 Senate Judiciary Subcommittee on Patents will hold public hearing on February 27 at 10 a.m. in room 3302, New Senate Office Building in Washington. Anyone wishing to testify or file state-

ment for the record should communicate immediately with the subcommittee, room 349A, Senate Office Building, Washington, D.C., telephone Capitol 4-3121 extension 2268.

HUGH SCOTT, *U.S. Senator.*

CONTINENTAL OIL CO.,
Ponca City, Okla.

Subject: H.R. 8190.

Hon. SENATOR,
U.S. Senate,
Washington, D.C.

DEAR SENATOR: This letter is directed to you as a member of the Senate Judiciary Committee. As a patent lawyer who is naturally concerned with the preservation of a sound patent system, I feel that it is appropriate for me to express my views which are in opposition to this bill.

As you know, the fundamental purpose of the bill is to raise the fees payable to the Patent Office in connection with the filing and issuance of patents. Most patent lawyers, including me, will admit that the fees should be raised; however, we feel that the method of raising them as prescribed in this bill is unsound.

The bill is desgined to raise the level of recovery of fees from about 30 percent (at present) to about 75 percent of the cost of operating the Patent Office, on the assumption that the patent system conveys "special benefits to identifiable recipients above and beyond those which accrue to the public at large." It should be pointed out that the entire patent system is for the benefit of the public in that it encourages development and disclosure of inventions by granting temporary exclusivity. A patent is essentially a contract whereby inventor fulfills his part of the bargain by making a contribution to the arts and sciences and disclosing it; in exchange, he receives temporary exclusivity. There is therefore a strong argument to the effect that the fees should only be high enough to prevent frivolous applications or that perhaps the Patent Office should be 50 percent self-sustaining.

Aside from the question of the amount of the fees, however, there are several objections to H.R. 8190:

1. The filing fee is $50 plus $10 for each claim in independent form in excess of one. This was the recommendation of people in the Patent Office and was designed to reduce the number of claims in patents and to force the use of dependent claims. It is true that some patents have far more claims than are necessary to adequately protect the invention; however, it should be noted that the average number of independen claims in U.S. patents is only 4.38. (Table 11, p. 90 of Senate subcommittee hearing on S. 2225 relating to Patent Office fees, September 4, 1962.) Four is certainly not an unreasonable number of independent claims, since U.S. patent law, which has the strict "peripheral system" of claim interpretation rather than the "central definition" used in many foreign countries, usually requires at least three or four independent claims. As a matter of fact, the U.S. Patent Office has recognized this by requiring applicants for admission to practice before the Patent Office to write the three classical "broad, intermediate, and narrow" claims, as part of the examination.

The provision as it is presently written would be detrimental to the individual inventor. These people do not usually understand patent law at all and often go to an attorney who quotes a low fee and then writes narrow claims to obtain a (weak) patent as quickly as possible. The extra fee for each independent claim over one will result in additional patents which do not adequately protect the invention, because the inclination will be to try to save money by filing only one independent claim when three or four are required.

Therefore, the number of independent claims permitted without additional fees should be raised from "one" to "three" or "four."

2. The issue fee would be $75 plus "$10 for each page (or portion thereof) of printed specification as printed * * *." This seems unfair because, again, it is directed toward extremely long applications while unfairly charging the average applicant. See page 90 of the Senate hearings on S. 2225, wherein it is indicated that the average U.S. patent is 3.70 pages, which is by no means unreasonable. The statute (35 U.S.C. 112) states that—

"The specification shall contain a written description of the invention, and of the manner and process of making and using it, in such full, clear, concise and exact terms as to enable any person skilled in the art * * * to make and use the same, and shall set forth the best mode contemplated by the inventor of carrying out his invention."

Since there is a statutory duty to make a full disclosure (which is for the benefit of the public), it hardly seems fair to charge $10 for each page. The $10 charge should be reduced to perhaps $5 or should begin with each page in excess of perhaps four. The inducement to make sketchy disclosures will be detrimental to individual inventors, in that more of their applications than at present will be rejected for insufficiency of disclosure. It will be also detrimental the the public.

3. The fee for recording an assignment is $20, in spite of the fact that the actual cost of recording an assignment is admittedly less than this. See statement under "Argument F" on page 59 of hearings. This provision discriminates against corporations under the attempted justification that a patent wouldn't be assigned if the assignee did not consider it to be of value. This completely ignores the fact that many corporations (small as well as large) take assignments of an invention immediately upon filing or issuance, in many cases long before it is known whether or not the invention has merit.

The assignment fee should be reduced to $5 to $10.

4. The maintenance fee provisions (sec. 6) place a disproportionate burden of the cost of maintaining the patent system upon the applicant who has a novel development and therefore is successful in obtaining a patent.

The fees for a typical case (four independent claims, three pages of specification) would be:

Filing:	
$50	$50
$10 times 3 independent claims over 1	30
Total	80
Issuance:	
$75	75
$10 per page times 3 pages	30
Total	105
Maintenance fees:	
End of 5th year	50
End of 9th year	100
End of 13th year	150
Total	300

Thus, it would cost roughly $185 in fees to obtain a patent and $300 in fees to maintain it. Thus, the applicant who has a novel contribution to the art which he discloses by obtaining a patent must pay a greater share than the applicant who does not have a novel idea and therefore never contributes to the art because he does not obtain a patent. We already have too many tax and other laws which benefit unsuccessful people at the expenses of successful people.

One advantage of maintenance fees which was asserted on the floor of the House by Representative Lindsay (New York) during debate on H.R. 8190 on January 22 was based upon a completely erroneous assumption on his part. He asserted that since many unused patents (deadwood) would be allowed to lapse (by failure to pay the maintenance fees) this would relieve the load on the Patent Office. This assertion was based on the completely false premise that, when an application was filed, the Patent Office must search the issued patents to determine if the applicant's invention would be infringed by a prior patent. This is not so. The Patent Office has no jurisdiction over infringement questions, and the search made is of all prior art, including expired as well as unexpired patents because all are printed publications (see 35 U.S.C. 102). In other words, those patents which lapse for failure to pay the maintenance fee would still have to be examined by the Patent Office in making its customary novelty search.

5. Even if the advisability of maintenance fees is accepted, the provision for deferement (sec. 6(f)) is vague and indefinite and therefore unsound.

This provision allows the individual inventor, who still "owns" the patent, to defer the first and second maintenance fees if the "total benefit" he has received is less than the amounts of the fees.

Please consider how this might work.

In a simple case the inventor would receive a notice during the fifth year of the patent to the effect that he must pay the fee or file an affidavit in order to maintain his patent. Wouldn't he naturally go to see his patent attorney to prepare the affidavit? Would not the attorney's fee for determining the facts (to determine whether the "total benefit" is under the prescribed amount) and for preparing the affidavit be nearly as much or more than the maintenance fee?

Suppose the inventor has made a partial assignment or granted exclusive license, is he the owner? Suppose he has granted a license covering several other patents along with the one in question and has received some royalties, how would anyone (inventor, attorney, or a court) decide what his "total benefit" had been? What cost factors (costs of obtaining and protecting the patent, research expenditures, attorney fees, etc.) could be deducted from his total gross receipts in determining "total benefit"? And what would be his "total benefit" if he cross-licensed his patent; that is, granted rights under his patent in exchange for rights under a patent owned by another party.

This concept of "total benefit" could be of great help to patent lawyers who want additional work to do, but it has no proper place in the patent law because it could well result in great expense and uncertainty to the inventor and would result in many situations where no one could tell without expensive litigation whether or not a patent had lapsed for failure to pay the maintenance fee.

We have enough uncertainties in the patent law. Let's not introduce another one.

Another objection to the deferment procedure is that it discriminates against the corporations which cannot defer. I realize that large corporations hardly invoke sympathy, but this discrimination would apply against all corporations, including the smallest.

It is my feeling that if Congress feels that maintenance fees are sound in principle, every patent holder should pay the fee, whether an individual or corporation. In those foreign countries which have maintenance fees, all patent holders must pay. This is not only fair, but it promotes certainty in the law by avoiding the vague concept of "total benefit."

Still another objection to the deferment idea is that it still further discriminates against the successful inventor.

If Congress is determined to allow deferment for individual patent owners, why not have a flat deferral fee of perhaps $10 to $20? This would be less than the inventor's attorney fee for filing the affidavit (required by the bill in its present form) and would promote certainty in the law.

In conclusion, it is strongly my feeling that H.R. 8190 has several undesirable features, and I sincerely hope that the Judiciary Committee will hold hearings on the bill. There are other approaches to the problem which were presented but ignored in the House (H.R. 8043 (Belcher) and H.R. 8420 (Laird)), to which I respectfully call your attention. Either of these two latter-mentioned bills would substantially increase the fees coming into the Patent Office without resorting to the objectionable features of H.R. 8190.

Very truly yours,

JEROME B. PETERSON.

COLUMBUS, OHIO, *March 18 1964.*

Re Willis bill H.R. 8190 and Dodd bill S. 2547.

Hon. JOHN MCCLELLAN,
Chairman, Senate Committee on the Judiciary,
Senate Office Building, Washington, D.C.

DEAR SENATOR MCCLELLAN: I understand from Senator Young that you have informed him that your committee had completed hearings on the Patent Office fee proposals, but that the record of the hearings will remain open until March 20 for additional statements that may be filed.

I had sent Senator Young a copy of an issue of the Columbus Bar Association "Bar Briefs" for February 15, 1964, containing a very short article, beginning on page 6, entitled "Making Pot and Pearl Ashes." I believe that Senator Young read this article with interest and was impressed by it.

I am therefore taking the liberty of sending you a copy of the magazine and request that you include the article (pp. 6 to 9 of "Bar Briefs") as an additional statement in the record of the hearing before your committee.

I appreciate the fact that you left the record open for the extra time so that those like me who delayed may nevertheless be able to include their statements. I would be doubly appreciative if you would read the short article.

Respectfully,

JEROME R. COX,
Attorney at Law.

MAKING POT AND PEARL ASHES

(By Jerome R. Cox)

We sometimes see cartoons which like the one at left show the waiting room of a patent attorney's office with inventors holding mysterious packages. The cartoonist usually suggests that the inventors are slightly crazy or at least eccentric. Some of us wonder why.

Probably even more of us wonder why these slightly crazy or at least eccentric individuals should be favored and subsidized by the Government and even if not always rewarded at least entitled to have the Government support a bureau which investigates their eccentricities and grants to them the right to exclude others from the use of their inventions. Is not the Patent Office and the patent system provided solely for the benefit of inventors? Why should the Government so single them out and subsidize and reward them?

Let us see if we can find out if this is the sole reason for the patent system and the Patent Office and whether the system is created solely or even primarily for the reward of inventors. In this connection the date September 17, 1787, is most important. The U.S. Constitution was signed on that day and included article I, section 8, which provides that "The Congress shall have the power * * * to promote the progress of science and useful arts, by securing for limited times to * * * inventors, the exclusive right to their * * * discoveries."

Under this provision of the Constitution the Congress in 1790 passed the first patent law and on July 31, 1790, the first patent was granted for the method of "Making Pot and Pearl Ashes." Thomas Jefferson at first in his spare time examined and passed on all applications for patent. Now between 2,000 and 3,000 people in the Patent Office administer the patent system. Applications for patents are filed at the rate of 1,500 a week. More than 3 million patents have been granted.

A prominent inventor in 1849 patented a device to lift vessels over shoals. He later said "The patent system added the fuel of interest to the fire of invention." This inventor was A. Lincoln.

How does the granting of patents promote the progress of the useful arts? Would not the true inventor keep on inventing even if there were no reward dangled before his eyes? In fact, is it not true that it is difficult to keep these people from inventing regardless of lack of reward, or hardship, or poverty? Yes, I admit this.

Here, however, is the startling idea, startling at least to most laymen. The patent system was not designed originally for the benefit of the inventors. It was, and I submit still is, designed solely for the benefit of the country as a whole. It is, in fact, not primarily designed to cause inventors to invent. It is designed to cause them to disclose their inventions, to develop their inventions, to market and commercialize their inventions and in the end to relinquish their inventions entirely to the public. The patent (the ability to exclude others for a limited time from making or from practicing the invention) is the bait which entices them into the patent system. It is the often visionary reward which induces them to tell the world about their discovery. It provides at times a recompense for this disclosure to the public and for the relinquishment of secrecy. Moreover, often the recompense measures fairly acurrately the value of the invention. The recompense is the quid pro quo for the disclosure to the public and for the release to the public of the technical information involved so as to add it to the vast storehouse of technical knowledge available to all of the people in the U.S. Patent Office.

How does it do this? The patent statute provides that whoever invents any new thing or process can obtain a patent if he files an application in writing including a specification containing a written description of the invention, and of the manner and process of making and using it, in such full, clear, concise, and exact terms as to enable any person to make and use the invention. The patent, if granted, gives the right to the patentee not to make his invention (he already has that) but to exclude others for a period of

17 years. Thereafter the description becomes a part of the technical literature of the country open to all to use as they see fit. Even before the expiration of the 17 years, the disclosure is available to be used as a basis for further experimentation and improvement. Thus, the technology and science and learning of the country builds on top of itself time after time.

We suggested that the reward of the patent system is not offered for inventing, but that many inventors will invent regardless of hope of reward. This is not entirely true. It is the patent system which at least to some extent induces corporations to set up research departments, to pay the salaries of research employees, and to define as their sole duties the investigation of and solution of problems connected with their industry. It is this system which financed the research of the Edison organization which examined thousands of approaches to the various problems to which the genius and imagination of Edison directed its efforts.

We cannot say that there would not be any research if it were not for the patent system, but the results of such research would often be kept secret for the sole benefit of the company doing the research. Subsequent workers would not have the benefit of the prior work done by the first inventor. Organizations could not afford to pay for the vast amount of research which is now being done.

For example, the A. O. Smith Co., states that it has reached its present eminence largely on the basis of the creation and development of patentable ideas. Arthur O. Smith obtained a patent in 1904 for an all-metal handtruck. This began a string of nearly 1,100 company patents of which 501 are today valid and unexpired. Part of the genius of the men who created the U.S. Constitution was their recognition of the need for a patent system to encourage and reward inventive effort and their implementation of this recognition by the inclusion of article, I, section 8 (supra) in the Constitution. The effect of this provision is to give inventors an incentive not only to create, but also to make their discoveries public knowledge rather than slowing progress through secrecy. The patent system is vital to the thousands of firms which spend huge sums in research to achieve technical and scientific progress.

DALLAS-FORT WORTH PATENT ASSOCIATION,
Dallas, Tex.

Hon. JOHN L. MCCLELLAN,
Chairman, Patents, Trademarks, and Copyrights Subcommittee, Senate Committee on the Judiciary, U.S. Senate, Washington, D.C.

SIR: The Patents, Trademarks, and Copyrights Subcommittee of the Senate Committee on the Judiciary is now considering a bill which it is believed is in an area of great importance for the future progress of this country. That bill is Senate bill, S. 2547, Dodd, which provides for certain fee increases for patent processing and ancillary matters before the Patent Office. This bill will apparently be considered along with the substance of H.R. 8190, Willis, which has passed the House of Representatives, and the general subject of fee increases for matters before the U.S. Patent Office.

Our organization is not opposed to an increase in patent fees commensurate with the decrease in purchasing power of the dollar, but we do have conviction against the provisions of both the Dodd and Willis bills.

We believe that the Willis bill is particularly objectionable since it includes so-called maintenance fees. These are in fact direct taxes on patent property. We believe such taxes would militate against the effective future functioning of the patent system of our country and, accordingly, oppose any bill which contains tax provisions on patent property. Never in our history has patent property been taxed—or should it ever be in the future.

We believe that the Dodd bill contains various extraneous, unnecessary, and/or excessive fee provisions and are therefore opposed to it.

The objectional provisions referred to in Willis and Dodd are not present in the late H.R. 8043, Belcher, the text of which our organization has approved by virtue of the enclosed resolution. We think that Belcher provides for a reasonable increase in fees and that it will accomplish the end of realizing additional revenue to help defray expenses of Patent Office operation without stifling the important incentives provided by our time-honored patent system.

Our prime concern in this entire matter is the preservation of our patent system in a way that is compatible with the intent of the Constitution, an intent

to promote initiative and invention in this country by all, the small as well as the large and those of limited means as well as the affluent.

The enclosed resolution sets forth the views of the Dallas-Fort Worth Patent Association on the subject of fees and specifically requests that a bill in the nature of H.R. 8043, Belcher, be ultimately reported out of the committee favorably in lieu of Dodd, Willis, or other comparable bills.

It is the desire of the Dallas-Fort Worth Patent Association that the enclosed resolution be considered by the committee and made part of the record of its deliberations.

Your very careful consideration on this matter will be appreciated. We do not think its importance can be overemphasized.

Very truly yours,

FREDERICK E. DUMOULIN, *President.*

RESOLUTION

Whereas the Dallas-Fort Worth Patent Association approved by a majority vote H.R. 8043, Belcher, a copy of the text of which is attached hereto as exhibit A, and made a part of this resolution for all purposes expressed herein; and

Whereas the Dallas-Fort Worth Patent Association overwhelmingly disapproves H.R. 8190 (substitute for H.R. 7370), Willis, which has since unfortunately passed the House of Representatives, such strong opposition largely resulting from inclusion of so-called maintenance fees on patent property, which the association believes should be tax free, as has been patent property throughout the history of the most stimulating and productive patent system ever known; namely, that of our country; and

Whereas S. 2547, Dodd, is now pending before the Judiciary Committee of the Senate and apparently will be considered by said committee in conjunction with the general subject of adjusting fees before the Patent Office; and

Whereas it is the understanding of the Dallas-Fort Worth Patent Association that the committee still has its records open for comment and opinion pertaining thereto; and

Whereas the Dallas-Fort Worth Patent Association disapproves of the said S. 2547, Dodd, because of various extraneous and unnecessary fee provisions contained therein; and

Whereas it is the desire of the Dallas-Fort Worth Patent Association to go on record before the Senate committee with its views before consideration of S. 2547, Dodd, is terminated, to indicate its approval of a bill patterned on the late H.R. 8043, Belcher, as a substitute for S. 2547, or H.R. 8190, Willis: Now, therefore, be it

Resolved:

1. The Dallas-Fort Worth Patent Association approves and encourages the introduction and/or substitute (by amendment of S. 2547, if necessary) of a bill containing substantially the provisions, and none other, of the late H.R. 8043, Belcher, a copy of the text of which is attached hereto as exhibit A, which bill contains no maintenance fees or other taxes, but does include a reasonable increase on all basic fees; the most significant provisions of said Belcher bill being as follows:

(*a*) On filing each application for an original patent except in design cases, $60, and $5 for each claim in excess of 20 filed orginally or pending and under consideration at any time during prosecution.

(*b*) On issuing each original patent, except in design cases, $60, and $5 for each claim in excess of 20.

(*c*) On every application for the reissue of a patent, $60, and $5 for each claim in excess of 20 over and above the number of claims of the original patent.

(*d*) On an appeal for the first time from the examiner to the Board of Appeals, $50. If the appeal is withdrawn prior to any consideration by the Board, or if an oral hearing is not requested prior to any consideration by the Board or if a request for an oral hearing is withdrawn more than 30 days before any consideration by the Board, $25 of the $50 fee shall be refunded.

(*e*) For recording every assignment, agreement, or other paper not exceeding six pages, $6, and for each additional two pages or less, $2.

2. The association urges that Senate bill S. 2547, Dodd, in its present form, be defeated in favor of the substitute provisions of the bill referred to in the paragraph No. 1 above herein.

3. The association is unalterably opposed to maintenance fees and strongly urges that no bill be presented to the Senate with favorable committee report that contains such fees, which in effect and fact are taxes on ingenuity. H.R. 8190, Willis, is a bill containing maintenance fees and, accordingly, no counterpart of it should receive favorable committee report.

4. The association requests that this resolution be made of record as considered by the committee.

Certified as a true copy of a resolution passed at the March 10, 1964, meeting of the Dallas-Fort Worth Patent Association.

WILLIAM D. HARRIS, Jr., *Secretary.*

EXHIBIT A

[H.R. 8043, 88th Cong., 1st sess.]

A BILL To fix certain fees payable to the Commissioner of Patents.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That (a) the items numbered 1 through 11 in subsection (a) of section 41 of title 35 of the United States Code are amended to read as follows:

"1. On filing each application for an original patent except in design cases, $60, and $5 for each claim in excess of twenty filed originally or pending and under consideration at any other time during prosecution.

"2. On issuing each original patent, except in design cases, $60, and $5 for each claim in excess of twenty.

"3. In design cases:

"(A) On filing each design application, $20.

"(B) On issuing each design patent: for three years and six months, $10; for seven years, $20; and for fourteen years, $30.

"4. On every application for the reissue of a patent $6, and $5 for each claim in excess of twenty over and above the number of claims of the original patent.

"5. On filing each disclaimer, $20.

"6. On an appeal for the first time from the examiner to the Board of Appeals, $50. If the appeal is withdrawn prior to any consideration by the Board, or if an oral hearing is not requested prior to any consideration by the Board or if a request for an oral hearing is withdrawn more than 30 days before any consideration by the Board, $25 of the $50 fee shall be refunded.

"7. On filing each petition for the revival of an abandoned application for a patent or for the delayed payment of the fee for issuing each patent, $20.

"8. For certificate of correction of applicant's mistake under section 255 of this title, $20.

"9. For uncertified printed copies of specifications and drawings of patents (except design patents), 50 cents per copy; for design patents, 20 cents per copy; special rates for libraries specified in section 13 of this title, $100 for patents issued in one year.

"10. For recording every assignment, agreement, or other paper not exceeding six pages, $6; for each additional two pages or less, $2; for each additional patent or application included in one writing, where more than one is so included, $1 additional.

"11. For each certificate, $2."

(b) Such section is further amended by adding the following subsection:

"(c) The fees prescribed by or under this section shall apply to any other Government department or agency, or officer thereof, except that the Commissioner may waive the payment of any fee for services or materials in cases of occasional or incidental requests by a Government department or agency, or officer thereof."

SEC. 2. Section 31 of the Act of July 5, 1946, entitled "An Act to provide for the registration and protection of trademarks used in commerce, to carry out the provisions of certain international conventions, and for other purposes" (15 U.S.C. 1113) is amended to read as follows:

"(a) The following fees shall be paid to the Commissioner of Patents under this Act:

"(1) On filing each original application for registration of a mark in each class, $35.

"(2) On filing each application for renewal in each class, $25; and on filing each application for renewal in each class after expiration of the registration, an additional fee of $5.

"(3) On filing an affidavit under section 8(a) or section 8(b), $10.

"(4) On filing each petition for the revival of an abandoned application, $15.

"(5) On filing notice of opposition or application for cancellation, $25.

"(6) On appeal from an examiner in charge of the registration of marks to the Trademark Trial and Appeal Board, $25.

"(7) For issuance of a new certificate of registration following change of ownership of a mark or correction of a registrant's mistake, $15.

"(8) For certificate of correction of registrant's mistake or amendment after registration, $15.

"(9) For certifying in any case, $1.

"(10) For filing each disclaimer after registration, $15.

"(11) For printed copy of registered mark, 10 cents.

"(12) For recording every assignment or other paper not exceeding six pages, $6; for each additional two pages or less, $2; for each additional registration or application included, or involved in one writing where more than one is so included or involved, additional, $1.

"(13) On filing notice of claim of benefits of this Act for a mark to be published under section 12(c) hereof, $10.

"(b) The Commissioner may establish charges for copies of records, publications, or services furnished by the Patent Office, not specified in subsection (a).

"(c) The Commissioner may refund any sum paid by mistake or in excess."

SEC. 3. (a) Section 266 of title 35 of the United States Code is repealed.

(b) The table of sections at the beginning of chapter 27 of such title is amended by striking out

"266. Issue of patents without fees to Government employees."

SEC. 4. (a) Except as provided in the succeeding subsections of this section, the amendments and repeal made by this Act shall take effect three months after the date of enactment.

(b) The amendments to items 1, 3, and 4 of section 41(a) of title 35 of the United States Code shall not apply in further proceedings in applications filed prior to the effective date of such amendments.

(c) The amendment to item 2 of such section shall not apply in cases in which the notice of allowance of the application was sent, or in which a patent was issued, prior to the effective date of such amendment.

(d) The fee prescribed in paragraph 13 of section 31(a) of the Act of July 5, 1946 (15 U.S.C. 1113), as amended by this Act shall apply only in the case of registrations issued and registrations published under the provisions of section 12(c) of that Act (15 U.S.C. 1062(c)) on or after the effective date of such amendment.

THE DAYTON PATENT LAW ASSOCIATION,
Dayton, Ohio, February 24, 1964.

Re Willis bill, H.R. 8190.

SENATE SUBCOMMITTEE ON PATENTS, TRADEMARKS, AND COPYRIGHTS OF THE COMMITTEE ON THE JUDICIARY,
Senate Office Building, Washington, D.C.

SIRS: As chairman of the Legislative Committee of the Dayton Patent Law Association comprising over 60 patent attorneys, I am authorized to transmit the following statement for inclusion in the record of the hearing on the Willis bill scheduled February 27, 1964.

The Dayton Patent Law Association favors an increase in Patent Office fees, such as will put that Office on a basis which is more nearly self-supporting. It is our position, however, that the needed fee increase can and should be achieved within the framework of the present Patent Office fee structure and we, therefore, oppose the Willis fee bill.

A review of the proceedings before the House of Representatives leading to passage of the Willis bill reveals that this bill was not accurately represented by its proponents. As an example, it was suggested that the maintenance fees embodied in the bill will simplify the Patent Office search function by removing unused patents from the patent files. This is not a correct statement. The field for the search which is performed by the Patent Office prior to the issuance of each patent includes every patent that has ever been previously issued by the

U.S. Patent Office, whether or not the patent has expired, and will not be diminished by a lapse of patents for failure to pay maintenance fees. We suggest that it would be a dangerous practice to adopt a radically new revenue-producing device such as maintenance fees, when the effects thereof are not fully understood, and especially when the new device is not needed.

Patent Office fees can be increased to an adequate level without an introduction of the objectionable features of the Willis bill by passage of a bill such as the Laird bill (H.R. 8420). We, therefore, earnestly solicit your consideration of the Laird bill as a substitute for the Willis bill.

Respectfully submitted,

H. TALMAN DYBVIG,
Chairman, Legislative Committee.

DEMPSTER BROS., INC.,
Knoxville, Tenn., February 25, 1964.

Hon. JOHN R. MCCLELLAN,
Chairman, Subcommittee on Patents,
U.S. Senate, Washington, D.C.

SIR: I have expected to appear before your subcommittee for the purpose of discussing some of the provisions of the patents fee bill, H.R. 8190, now under consideration by your committee. However, due to the present uncertainties of scheduling of hearings and the number of witnesses to be heard, I have prepared a statement, which is transmitted herewith, of the testimony that I would have given before this committee. I ask that this be given consideration in lieu of my personal appearance.

I am handing you herewith 12 copies of this statement, so that each member of your committee may have one available.

Very truly yours,

GEORGE R. DEMPSTER, *President.*

STATEMENT OF GEORGE R. DEMPSTER

I am George R. Dempster of Knoxville, Tenn., and I am president of Dempster Bros., Inc., also of Knoxville, Tenn.

I am in opposition to some of the provisions of the patents fee bill, H.R. 8190, now under consideration in the Senate. My objection is principally directed to the provisions for maintenance fees in section 6 of the bill, and also to the complicated bookkeeping and refund provisions in uncertain amounts of some of the other fees enumerated.

I recognize that as an incident to the inflationary period in which we are living, Patent Office fees may justifiably be increased somewhat, but such fees to be paid by inventors should be increased to specific amounts and not require payments of uncertain amounts and refunds of excess collections which would only increase the requirements for extra Government employees and be doubly troublesome to inventors as well.

I have taken out patents on my inventions over a period of nearly 40 years, the first of which was issued to me on December 22, 1925. None of these has been issued for any gadgets. All of them were for various manufactured products which have varied from steam shovels of the character used in digging the Panama Canal to equipment used in the WPA work programs, trash and refuse equipment, trucks, and the like. All of the patents issued to me have been held by me, but at the present time the patents issued to me are licensed to Dempster Bros., Inc. Not all of the patents have gone into commercial use.

Dempster Bros., at Knoxville, Tenn., is engaged in manufacturing and selling principally trash and refuse equipment, baling presses for refuse, including the compaction of discarded automobile bodies, railway transporting equipment, and the like. This is sold throughout the United States and in many foreign countries. It is believed that we have pioneered this field and many competitors have copied products originated by myself and by employees of Dempster Bros.

This company maintains a large staff of engineers devoting their time and energy to a substantial extent toward developing new products for the industry in which the company is engaged. Not all of the products find immediate acceptance in the trade. Some are ahead of their time and it may be several years after the initial development before they can be promoted to a sufficient extent to make manufacture thereof justifiable.

I recall one instance where a competitor engaged in copying what we regarded as an obscure product because it was a variation of one manufactured very extensively by this company and which resulted in costly patent litigation. Had maintenance fees been in effect, as would now be required by this statute, it is probable that we would not have maintained in effect a patent on this particular product because we considered it obscure, but it was picked up by a competitor and copied primarily, we believe, because it was not like the commercial product made by this company.

Many of the products made by Dempster Bros. are supplied to various Government agencies to fill the need in these fields. Much of the development work in which we are engaged is to find products which will fulfill the requirements of such agencies, municipalities, and private industries. The 17-year life of a patent, as now prescribed, is all too short at time for monopoly in the products resulting from such experimentation and development. If this be foreshortened through cancellation of the patents for shorter lives due to failure to pay maintenance fees, it is improbable that the cost of further development can be justified. I believe that no maintenance fee for a patent should be required once the patent has issued, in order that the term of the patent should not be less than the full 17 years.

I am advised that the bill under consideration has various provisions for conditional fees, both filing and final fees, and other interim fees which would require indeterminate amounts, refunds, and extensive bookkeeping, both on the part of the Government and by the applicants. Inevitably, such complicated procedures will require more and more Government employees and leave inventors uncertain as to the fees required or payable. All such uncertainties should be abolished in the interest of economy.

Thank you for your consideration.

ELECTRONIC INDUSTRIES ASSOCIATION,
Washington, D.C., March 20, 1964.

Hon. JOHN L. MCCLELLAN,
Chairman, Subcommittee on Patents, Trademarks, and Copyrights, Senate Judiciary Committee, Senate Office Building, Washington, D.C.

DEAR SENATOR MCCLELLAN: On behalf of the Electronic Industries Association (hereinafter referred to as EIA), I wish to express our views on H.R. 8190, generally referred to as the Patent Office fee bill. EIA is the national organization representing approximately 300 manufacturers of electronic equipment and components. Our views expressed herein are based upon recommendations of EIA's Patents and Copyrights Committee.

At the outset, may I say that EIA recognizes that Patent Office receipts are falling substantially behind expenses and consequently, some constructive measure is justified to provide funds to offset the deficit. However, we do not believe it is either logical or essential that patentees bear the entire expense of the Patent Office operation. On the contrary, the patent system is beneficial to the public and therefore a portion of such expenses should be borne by the public through tax revenues.

EIA is opposed to the maintenance fee provisions of H.R. 8190 for several reasons as follows:

(1) Such fees constitute direct taxes on patents.

(2) They introduce complexity into patent practice which, in our opinion, is unnecessary. Thus, a patentee or assignee must study the value of each patent in his portfolio at specified intervals and determine whether to pay the fee or permit protection to lapse.

In every infringement search, it will be necessary to determine whether each pertinent patent has lapsed or is still in effect. This is a burden on industry. The Patent Office will have a complementary burden of maintaining a register of lapsed patents and/or appropriately marking lapsed patents in the search files and those copies sold for use outside the Patent Office.

The Patent Office is required to notify all those having an interest in a patent (i.e., patentees, assignees, and licensees) at appropriate times, handle requests for postponement of payments, rule on such requests, and handle fees received.

(3) The only result, from a financial standpoint, is to postpone, temporarily, the time when the Patent Office becomes more nearly self-sustaining. This may be a permanent condition because full receipts from fees will not be reached for 13 years and history suggests that costs will have risen enough in that

period of time to render receipts far less than costs. If the sponsors of maintenance fees are attempting to raise receipts to approximately 75 percent of costs, EIA beleives they should face facts and raise the present fees to levels assuring this balance. The only argument of substance against this approach is that filing of applications will be discouraged unless part of the fee is postponed. This may be true initially. However, in time, the cost of maintenance fees plus filing and issue fees versus still higher filing and issue fees will be equal and the force of the argument is lost. Moreover, the proposed bill provides that individual patentees who have not transferred title can, on occasion, postpone the fees until the 13th year. Such persons must file affidavits and request waivers. At best, this raises problems for the patentees and the Patent Office, and often will require employment of an attorney. Therefore, it is believed best, in the long run, to raise the present fees to the extent necessary to provide the desired receipts.

EIA, further, opposes the fee provisions relating to the number of claims and the use of dependent claims in H.R. 8190 because these proposed fees disguise patent reforms by calling them fees. We believe that if reforms of this nature are desirable, they should be accomplished by the enactment of a statute specifically dealing therewith.

Finally, we question the desirability of fees based on the number of pages of printed patent and the number of sheets of drawing because disclosures will be minimized. We believe that weaker patents will result and technology may advance more slowly.

We respectfully request that this statement be made a part of the hearings on H.R. 8190.

Respectfully yours,

T. L. BOWES,
Chairman, Patents and Copyrights Committee.

CHICAGO 3, ILL., *February 21, 1964.*

Re the Patent Office fee bill H.R. 8190, Willis hearings, February 27, 1964.

Hon. JOHN R. MCCLELLAN,
Hon. OLIN D. JOHNSTON,
Hon. PHILIP A. HART,
Hon. HUGH SCOTT,
Hon. HIRAM L. FONG,
Hon. QUENTIN BURDICK,
Subcommittee on Patents, Trademarks, and Copyrights of the Committee on the Judiciary, U. S. Senate, Washington, D.C.

GENTLEMEN: I am an Illinois lawyer, specializing in patent and trademark law in Chicago. I have practiced 14 years. In my practice, I try cases in the Federal courts, represent applicants for patents and for the registration of trademarks in the U.S. Patent Office, and also do a fair amount of counseling and negotiating and other routine lawyer's work in this field. Within this specialty, I have a rounded private practice, in which most of my time is spent for business concerns.

As a law student, years ago in Washington, I worked for 3 years in the patent department of a very large industrial corporation.

I am writing now because I am informed that you will commence hearings, on February 27, 1964, on the Willis bill, H.R., 8190, which was passed by the House of Representatives on Wednesday, January 22, 1964.

H.R. 8190 raises the fees charged by the Patent Office. I do not object to the cost-recovery theme on which this bill was promoted. I am in favor of higher fees, substantially higher fees, but I am against the Willis bill. Its "maintenance fee" provisions are rankly discriminatory against the individual inventor and the small concern, although paradoxically and because of misunderstanding, H.R. 8190 was passed by the House in their name.

The Willis bill would raise the traditional filing and issuance fees for patent applications by significant amounts (from $30 each to $50 and $75 respectively), and would add on a "maintenance fee" of $300, a tax upon the issued patent, payable in three installments, after 5, 9, and 13 years, on pain of forfeiture before full term.

Former U.S. Commissioner of Patents, the Honorable David L. Ladd, touted this maintenance scheme, a revenue measure widely used in Europe, as a boon to the little man. He said it would defer payment of fees until the little man could afford to pay, i.e., until he had an opportunity to commercialize the patented invention, or to be persuaded from bitter experience that the commercial world was neither ready nor interested.[1]

This picture is surely appealing to those unable to recognize it as fantasy, but fantasy it is. Maintenance fees place a greater fee burden upon the little man or concern, who needs the patent for its constitutional purpose of exclusion, and lift the fee burden from the large corporation which takes out patents only defensively. Yes, this bill will permit large, defensively minded corporations to shift to the little man their share of the cost burden of operating the Patent Office.

In floor debate, Congressman Lindsay, promoting the bill, said that some 70 percent of all patents issued are issued to corporations as assignees of their employee-inventors,[2] and that 50 percent of all patents issued are taken out by large corporations as "defensive" patents. If Congressman Lindsay's 50-percent figure is valid,[3] one can appreciate the support given by some large concerns to proposals for so-called publication patents which, as proposed, are not really patents, but would provide the "defensive" attributes of a patent; viz, prevent the issuance, to a later inventor, of a patent covering the same thing.

Such a defensively minded concern has no incentive to pay maintenance fees. Its purpose is accomplished by the mere issuance of a patent on its application, the examination of which was as costly to the public as the examination of the application of the little man, or indeed of anyone, who wants his patent for its constitutional purpose; viz, the right to exclude others from his invention, given as a reward to promote progress.

All applications for patent must be examined. For this purpose, the United States maintains an expensive staff of experts. Two-fifths of the applications filed will, after examination in varying degree, be rejected by those experts.[4] Of the three-fifths that become patents, Congressman Lindsay says 50 percent are defensive; i.e., having served their purpose by having survived examination,[5] are now of little or no further value to their owners,[6] who will have, accordingly, little or no incentive to pay maintenance fees (Who buys a dead horse?).

Under the Willis bill (Commissioner Ladd's bill), disregarding its controversial "internal practice improving" provisions, the basic filing fee is $50; the minimum issue fee is $85 (75 plus 10); and maintenance fees are $300. As all applications must be examined, you need only consult the chart below to see, from among 100 applicants, who will pay the lion's share of the cost of the Patent Office, under the Willis bill:

	Amount	Percent
40 unsuccessful applications, at $50	$2,000	10.5
30 defensive patents, at $135 (50+85) (i.e., large corporations)	4,050	21.2
30 patents obtained for the constitutional purpose; viz, exclusion, at $435 (50+85+300)	13,050	68.3
Total	19,100	100.0

[1] And for text cited the writing of an attorney for one of our Nation's largest industrial corporations, pp. 64, 65, Commissioner Ladd's statement of Sept. 4, 1962, to this subcommittee on S. 2225.

[2] Commissioner Ladd confirmed this in his statement of Sept. 4, 1962, to this subcommittee on S. 2225, p. 63.

[3] The only other figure I ever saw was George Frost's "one-third the total of all patent applications" which appeared at p. 62, study No. 2 of this subcommittee, pursuant to S. Res. 167, 84th Cong., 2d sess. Assuming the "defenders" fare no better or worse than other applicants, Frost's estimate would be 33 percent, compared to Lindsay's 50 percent.

Mr. Lindsay further hinted at a sinister conclusion; viz: That defensive patents are designed to keep improvements off the market. This is fiction, and unfair to large corporations; in fact, the true role of so-called defensive patents is simply to protect, passively, what the entrepreneur is doing, or proposes to do; i.e., to prevent the arising of a roadblock, in the form of a patent to a later inventor of the same thing, to stand astride the entrepreneur's path to the marketplace.

[4] These figures are from the Commissioner's Annual Report for Fiscal 1963, JPOS, vol. XLV, No. 12, p. 817, reporting 75,922 disposals; i.e., 45,433 allowances, and 30,489 abandonments.

[5] Examiiation represents 77.1 percent of the cost of operating the Patent Office. See Commissioner Ladd's statement to this subcommittee on S. 2225, app. A, fig. 9.

[6] For confirmation, reread p. 9, of Commissioner Ladd's statement, id.

And let us be frank. We all know that if the Willis bill is to be the beginning of this alien scheme of maintenance fees, it will certainly not be the end.

Please bear in mind that the reason for fee increase is the increased cost of operating the Patent Office, and levy the cost, to the exent it can be done, upon those who occasion the cost; i.e., upon applicants in the first instance, with such additional charge upon patentees (i.e., issue fees) as to recover the further cost of issuance.

Please do not saddle an incentive system with an added penalty upon the applicant, big or little, who had something worthwhile to contribute. He should not pay three times as much as the large, defense-minded corporation for the same patent. He should pay his full share, but not more .

Please vote the Willis bill down, and try to put the fee burden on those who create the cost burden. Strike out maintenance fees and raise the application fee by an appropriate amount.

Respectfully,

FRANCIS A. EVEN.

P.S.—This letter is already too long to take up the misconception, evident from House debate, that a patent on which no maintenance fee is paid will be stricken from the rolls for all purposes, and thus reduce the art to be searched by the Patent Office, and thus reduce the cost of examination. This gross error will surely be exposed in committee hearing.

LAW OFFICES, GAUSEWITZ & CARR,
Orange, Calif., February 21, 1964.

Re Senate counterpart of H.R. 8190.

Hon. JOHN L. MCCLELLAN,
Chairman, Committee on the Judiciary, Subcommittee on Patents, Trademarks, and Copyrights, Senate Office Building, Washington, D.C.

DEAR SENATOR MCCLELLAN: A large part of our law practice involves obtaining patents for small, independent inventors. Surprisingly enough, many of these inventors work on complex subjects such as computers, oil well equipment, etc. Others, of course, make inventions in less complex fields.

I know from personal experience that the independent inventor has a very, very small chance of ever making any money from his invention, even if his invention is an excellent one. Large corporations do not normally purchase undeveloped inventions. They require developed products which have actually been marketed to a limited extent. If such products are marketed successfully, the small company marketing them is frequently bought in toto by a large corporation which then proceeds with high-volume manufacture and sale.

To conceive, develop, and initially market their inventions, these small inventors frequently mortgage their houses, are supported by their wives for periods of years, etc. Then, normally at least 3 to 5 years after the invention was originally conceived, they may be successful in building up a business or in selling out to a large corporation.

I have only presented the good side. Frequently, when such a small inventor puts something on the market it is immediately copied by one or more price-cutting competitors who do not have any research and development cost. There is now in this office a case in which an invention manufactured by one of my clients was copied by over a dozen different companies. Since patent litigation is notoriously complex and expensive, the cost of stopping such piratical competition is extremely high.

H.R. 8190, if it passes the Senate, will add an additional crushing burden on the small inventor. There are many reasons for this, among which are the following:

1. It is well recognized among patent lawyers that independent claims have a much better chance of being sustained in court than do dependent claims. It is extremely difficult or impossible to find a litigated case where the dependent claim was sustained when the independent claim from which it depends was invalidated. By H.R. 8190, any independent claim over one would be penalized at the rate of $10 per claim. In other words, the rich inventor can obtain a much stronger patent than a poor inventor. The stated reason for this change is to simplify the work of the Patent Office, but why should the work be simplified for poor inventors only? A fee bill should not attempt to change the manner in which an attorney drafts claim. Similarly, a fee bill should not force the

small inventor to write a short patent, to avoid the $10 per page printing charge. This is contrary to the legal requirement for complete disclosure.

2. There are many, many occasions when the value of an invention is not recognized until many years after the patent issues. The better the invention, the more likely this is to be true. In my own career I know of a number of instances where, as long as 15 years after the patent issued, an inventor was sought out and paid the first dollar he ever received for his invention. Under the European practice of taxing patents after they issue, such inventors would long ago have become discouraged and have permitted their patents to lapse. This is grossly unfair. The taxing of patents does not decrease the burden on anyone, but instead greatly increases the administrative burden of the Patent Office. The principle of taxing patents after they issue is basically wrong for this and numerous other reasons. This European concept should not be introduced into American patent law.

It is recognized that the present fees, based upon the 1930 dollar, are inadequate. They should be doubled or, if necessary, even trebled. The present fee bill goes far beyond this and multiplies the present fees many, many times while discriminating against the small inventor.

It is requested that this letter be incorporated in the transcript of the record of the hearing on the bill.

Sincerely yours,

RICHARD L. GAUSEWITZ.

HERCULES POWDER CO., INC.,
LEGAL DEPARTMENT,
Wilmington, Del., March 20, 1964.

Re hearing on H.R. 8190 and S. 2547, Patent Office fees bills

JOHN L. MCCLELLAN,
Chairman, Subcommittee on Patents, Trademarks, and Copyrights, Senate Judiciary Committee, New Senate Office Building, Washington, D.C.

DEAR SENATOR MCCLELLAN: On Thursday, February 27, 1964, Mr. E. G. Peterson, manager of our patent division, and I attended the hearing on H.R. 8190 and S. 2547 held by your subcommittee.

After listening to the testimony of the witnesses, we are satisfied that they have focused attention on the principal objections to H.R. 8190 as we see them. Senate bill S. 2547 was introduced in the Senate by Senator Dodd on February 25, 1964. Because it had been referred to your committee, was timely and pertinent, you properly included S. 2547 in the subject matter of the hearing. Coming as it did 2 days before the hearing which had been called on the House-passed bill H.R. 8190, hardly any comments were made about it at the hearing the day we attended.

The thing that struck us forcefully at the hearing was the view expressed by the representatives of the Patent Office Society on H.R. 8190 which they favor. They approached the question of changing the Patent Office fees, not from the point of view of increasing revenue and thus making the Office more self-sustaining, but rather from the standpoint of effecting changes in patent procedure and substance under the guise of changing fees.

It is generally conceded, since the Patent Office fees have not been increased since 1932, that there should be an upward revision of the fees. No one concedes that historic and traditional Patent Office procedures and practices let alone substantive patent law should be modified to cut down on the workload of the Patent Office personnel and staff by the fee route. If it is to be done it should be done by positive amendments deliberately debated.

As we view H.R. 8190, the main thrusts to the forces opposing it may be briefly summarized as follows:

1. The increase in the fee charged for each "independent" claim set forth in a patent application plus the decrease in the number of allowable free claims. (One witness has testified that under H.R. 8190, the filing fee for a patent containing 10 independent claims would go from $30 to $140.) Dependent claims are not so assessed. Many knowledgeable patent law practitioners are apprehensive about the legal effect of dependent claims. This explains section 11 of H.R. 8190 which states that a dependent claim shall "be construed to include" all the limitations of the claim incorporated by reference. This is evidence that H.R. 8190 is not simply a revenue measure.

2. The introduction and levy of a new fee called maintenance fee. In an attempt to accelerate the public use of unused inventions claimed in issued patents, and to increase the revenue of the Patent Office, the Patent Office in H.R. 8190 proposes to levy a graduated fee of $300 for continuing the enforceability of patent inventions during the 17-year period. Those who commercially exploit their patent or wish to retain its rights will be charged a maintenance fee. Those who do not will automatically lose their patent prior to the running of the full 17-year course. This concept, although in quite different form a part of the patent systems of all countries except the United States and Canada, is not aggressively favored in this country by anyone other than those involved in the administration of the Patent Office. It is not good legislative technique to attempt such a major substantive law change under the guise of a revenue measure.

3. The issuing fee is increased to $75 plus $10 for each printed page of specifications and $2 for each sheet of drawing. Thus, the issuing fee for a patent containing 10 printed pages of specifications will be increased from $30, the present fee, to $75 plus $10 times the number of pages, or $175. This printing charge of $10 per page, which the Patent Office admits far exceeds the cost of printing charged by the Government Printing Office, may have the adverse effect of discouraging disclosure of full details of inventions. This obviously would operate to the disadvantage of the public.

4. The change in the fee for an appeal from the examiner to the Board of Appeals is increased from $25 to $100. This change is significant from a procedural standpoint because $50 will be refunded if an oral hearing is not requested and the patent applicant consents to rest his appeal on the brief. The right to be heard orally is a fundamental right under our system of jurisprudence. In any proceeding it will have a substantive consequence. Stated differently, what this does is to preserve the right of appeal on written briefs but bribes the patent applicant not to argue his appeal orally. If he doesn't, he gets $50 back.

You can see from the above examples 1, 2, and 3, that the fees for filing, issuance, and maintenance of a patent of 10 pages of specifications and 10 independent claims for the full 17 years of its statutory life would go from $60 to $615. This is quite a jump.

There are built-in ambiguities and discrimination in H.R. 8190. They undoubtedly will cause many headaches. For example, inventor-owner-individuals (but not assignees or licensees) may defer the payment of maintenance fees by filing a statement under oath that "the total benefit received * * * was less than the amount of the fee." The phrase "total benefit" is not defined and it is not clear whether an inventor-owner-individual will be permitted to deduct the costs and expenses he incurs trying to exploit his patent in determining the "benefit" figure. Also, since an assignee will not have the benefit of the deferral privilege, there is an aspect of discrimination against assignees such as companies employing inventors. Patents of such employed inventors are 70 percent of the total patents issued by the Patent Office.

With respect to S. 2547 introduced by Senator Dodd on February 25, 1964, and referred to previously in the first part of this letter, the following comments are pertinent:

1. It avoids the objection of H.R. 8190 as to an exhorbitant charge for independent claims in excess of 1 and permits 10 claims in any form (whether independent or dependent) before assessing a charge of $5 for each claim in excess of this reasonable number. Its $70 filing fee should present no more burden on the average applicant than the filing fee of H.R. 8190 (see item 1, p. 2).

2. It omits the maintenance fee and thereby avoids a major objection to H.R. 8190. The small revenue expected after 5 years from the maintenance fees of H.R. 8190 should be recovered by the slightly higher filing fee of S. 2547 which starts immediately.

3. The appeal fee ($25 on filing, $25 on filing of a brief, and $25 for an oral hearing) should net about the same revenue as from appeal fees under H.R. 8190, but in a less cumbersome and less objectionable manner. Those applicants who wish to file a brief and wish to have an oral hearing will help defray some of the Patent Office expenses in this area. Besides being a simpler administrative procedure, this appeal fee provision imposes the burden on the user and in proportion to the extent of participation in a fair and reasonable manner.

4. It avoids the objectionable per page printing charge included in the issuance fee of H.R. 8190.

Thus, in our opinion, S. 2547 is a much more satisfactory fee bill than H.R. 8190 and overcomes the major objections to H.R. 8190.

There is yet another bill on increasing Patent Office fees which is not before your committee. It is House bill H.R. 8420, sponsored by the American Patent Law Association. It is slightly different from S. 2547 in its filing fee and issuance fee provisions. It is similar to S. 2547 in that it omits the objectionable maintenance fee. It overcomes the dependent claim disadvantage of H.R. 8190, but issuance and appeal fees are on the high side. Otherwise, it is about as satisfactory as S. 2547 in its overall features and is much preferred over H.R. 8190.

You can see from the above that we are in favor of an increase in Patent Office fees to provide a more reasonable recovery of Patent Office costs. We favor a schedule of filing, issuance, appeal, assignment, and miscellaneous minor fees which will recover the amount requested by the Patent Office; namely, two-thirds to three-quarters of its costs. We strongly oppose accomplishing this in the manner provided in H.R. 8190, particularly with the objectionable maintenance fees and other objectionable items discussed above.

We appreciate the opportunity which you extended to all interested parties to submit their views and comments to you for consideration by your subcommittee.

Very truly yours,

GERARD P. KAVANAUGH, *Counsel.*

U.S. SENATE,
COMMITTEE ON LABOR AND PUBLIC WELFARE,
February 29, 1964.

Hon. JOHN L. MCCLELLAN,
Chairman, Subcommittee on Patents, Trademarks, and Copyrights,
U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: I am enclosing a letter I have received from Mr. John J. Gibson, of Johnson & Johnson, Inc., New Brunswick, N.J.

I would greatly appreciate it if this letter could be made part of the record of hearings on H.R. 8190.

With my best regards.

Sincerely,

HARRISON A. WILLIAMS, Jr.

JOHNSON & JOHNSON,
New Brunswick, N.J., February 19, 1964.

Hon. HARRISON A. WILLIAMS, Jr.
U.S. Senate, Washington, D.C.

DEAR SENATOR WILLIAMS: As you know, the House has passed and sent to the Senate H.R. 8190, a bill intended to fix the fees payable to the Patent Office.

The majority of the provisions of the bill relate to the increase of existing fees and, although the increases are very substantial in some cases, they may perhaps be justified by the fact that there has been no general increase in Patent Office fees since 1932.

One provision, however, is difficult to justify. It is the amending of section 6, title 35, United States Code, by the newly proposed section 155 relating to the establishment of a schedule of maintenance fees which are to be paid periodically after the patent has issued and which are required to prevent the lapsing of the patent.

The adoption of such a provision would impose unnecessary hardships on patentees, who would have to set up some sort of a docket calendar to remind them when these maintenance fees would have to be paid. It would also impose a similar hardship on the Patent Office itself wherein an accounting procedure would have to be set up to record the periodic receipt of such maintenance fees and to keep track of which patents were being maintained and which had lapsed. Additionally, in future years, a person could not rely upon the fact that a patent less than 17 years old was still alive but would have to write to the Patent Office to determine its status. Can you visualize the recordkeeping system and correspondence which would be involved when it is noted that about 700,000 live patents are now in existence and that over 1,100 new patents issue every week?

In the House, the Anderson amendment attempted to strike section 155 from the bill. The amendment was defeated by a vote of 72 to 53, but the smallness of the vote indicates the lack of careful consideration given this section.

I believe that newly proposed section 155 should be stricken from the bill. I understand that an increase of $15 above the amounts set by the House bill in each of the filing and final fees would approximately compensate for complete elimination of the maintenance fees. If that large an increase is necessary to cover the increased costs of the Patent Office, we would rather pay that way than incur the additional clerical burden resulting from the imposition of maintenance fees.

We are also taking the matter up directly with Senator Case and with Senator Hart of Michigan, who is one of the members of the Subcommittee on Patents, Trademarks and Copyrights, in order that our position may be on the record with the subcommittee. However, I would appreciate your support of our position either with the members of the subcommittee or when the bill comes up for consideration by the Senate.

Sincerely yours,

JOHN J. GIBSON.

U.S. SENATE,
COMMITTEE ON POST OFFICE AND CIVIL SERVICE,
March 4, 1964.

Hon. JOHN L. MCCLELLAN,
Chairman, Subcommittee on Patents, Trademarks, and Copyrights,
Senate Office Building, Washington, D.C.

DEAR SENATOR: I am enclosing a copy of a letter from Mr. Arnold L. Lippert, president of the Joseph Bancroft & Sons Co., Wilmington, Del., relative to H.R. 8190, the patent bill on which your committee has recently held hearings.

I would appreciate it very much if this letter could be inserted in the hearing record on this legislation.

Your kind consideration of this matter will be most appreciated.

With highest personal regards and best wishes.

Sincerely,

J. CALEB BOGGS.

JOSEPH BANCROFT & SONS CO.,
Wilmington, Del., February 24, 1964.

Senator J. CALEB BOGGS,
Senate Office Building,
Washington, D.C.

DEAR SENATOR BOGGS: It has been brought to my attention that the House of Representatives has passed a bill (H.R. 8190) which will greatly increase the cost of obtaining patent protection in the U.S. Patent Office. I wish to express my opposition to this bill.

I do not strenuously object to the portion of the bill which revises the fee schedule. Some increase may be necessary to keep up with the times even though in some instances I believe the proposed rates are too high. However, I do oppose the patent maintenance fee portion of the bill.

The stated goals of maintenance fees are—

(1) To eliminate deadwood patents which clutter the Patent Office files.

(2) To enable the Patent Office to sustain itself at a 75-percent level.

I am opposed to maintenance fees because:

(1) *Their first goal is based on a misconception of the patent system and is therefore unattainable.*—It will not be possible to eliminate "deadwood" patents because there are no such things. Each patent issued becomes a permanent part of the prior art which is indispensable to the Patent Office to determine novelty of inventions and serves also as a vast storehouse of technical knowledge available to the public.

(2) *Their second goal is totally unrealistic in view of the accelerating advance of our technology.*—With patent application filings and patent issuances running at alltime highs, it has been necessary to expand Patent Office facilities and staff to handle them and perform the patent examinations which are ever more time consuming because of the increasing size of the prior art. Under

these conditions, the proposed maintenance fees would sustain the Patent Office at a 75 percent level for only a short time. If enacted, these fees will initially discourage "basement" inventors and small corporations from seeking patent protection, but the inevitable increases to maintain a 75 percent level will surely deter all but the corporate giants; and we will thus eventually destroy the patent system. Such a result would violate the spirit, if not the letter of the constitutional injunction that Congress shall "promote the progress of science and useful arts, by securing for limited times to * * * inventors the exclusive right to their * * * discoveries."

An alternative to the eventual destruction of the system would be a reappraisal of this "75 percent self-sustained" concept. This should be done now before a serious mistake is made by enacting maintenance fees. In making this reappraisal we must not overlook the many benefits the patent system has bestowed upon the national economy and the American people by giving inventors the incentive to develop their inventions. Nor should be disregard the contribution made to revenues of the U.S. Government in the form of taxes on patent royalties.

In conclusion I believe the maintenance fee portion of the bill is not the answer to the problem. On the contrary the proposed fees will seriously injure the individual inventor and the small corporation. It will ultimately result in fewer public disclosures and less energy will be expended on invention. It will eventually damage American industry and the national economy. I, therefore, strongly urge you to oppose the passage of this portion of the bill.

Respectfully your friends,

ARNOLD L. LIPPERT, *President*.

U.S. SENATE,
SELECT COMMITTEE ON SMALL BUSINESS,
February 27, 1964.

Hon. JOHN L. MCCLELLAN,
Chairman, Subcommittee on Patents, Trademarks, and Copyrights, U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: H.R. 8190, which is now being considered by your subcommittee, requires governmental agencies to pay the regular patent fees to the Patent Office for patents issued to them. This provision will increase Government bookkeeping and paperwork and will result in a waste of Federal funds.

The bill provides that Government agencies that draw their money from the U.S. Treasury will pay fees to the U.S. Treasury for Patent Office services. The Comptroller General of the United States stated in his letter of July 15, 1953, that such payments would constitute "merely a transfer of funds from one pocket to another and do not result in the net recovery of any costs to the Government." The only consequence, as I see it, is economic waste, against which you have raised your voice on many occasions.

In addition, it is the statutory duty of the Patent Office to furnish services both to the Government and to the public in connection with the administration of the patent and trademark laws. The Congress annually provides funds to carry out these duties and responsibilities, and the Department of Commerce has repeatedly publicized the extent of the free services furnished by the Patent Office to other branches of the Government. In my judgment, it is a good idea that payment for services rendered by one agency of the Government for another should not be authorized where the services are required by law in carrying out the normal functions of the performing agency and for which appropriations are specifically provided. The Patent Office is appropriated funds to provide this service.

An equally serious objection to this provision is that it is important that patents resulting from Government-sponsored research be acquired by the various Government agencies in order to make them available to all. This objective could well be frustrated by this bill, since Government agencies lack budgetary allotments for the processing of patents on Government-financed research.

I would appreciate your making this letter part of the hearing record.

With best wishes.

Sincerely,

RUSSELL B. LONG,
Chairman, Subcommittee on Monopoly.

HOLLYWOOD, CALIF., *February 21, 1964.*

Hon. JOHN MCCLELLAN,
Chairman, Subcommittee on Patents, Trademarks, and Copyrights, Senate Office Building, Washington, D.C.

DEAR SIR: I should like to call attention to my views on the Patent Office fee bill, the Senate counterpart of H.R. 8190, and I would hope that you believe I am speaking as well for individual inventors and the small corporations which form part of my practice. I am speaking less for myself than for these entities, since I have several medium-sized corporate clients who would not seriously curtail their patent activities if Patent Office fees were to be increased.

It is my understanding that the new fees, including the maintenance fees, would increase the cost of a patent by about eight times.

Certain deserving clients have difficulty in readily paying patent fees as they are now. How fully, then, would the Congress close the doors to them as regards to patent protection with fees eight times greater?

As an elected official in our Government I know that your every interest must be and is for the maintenance of our free enterprise system, for the America of our forefathers and for our technological advancement over any others who may regard us as their prey.

Our properly functioning patent system must not be tampered with in any way.

I suggest that we decrease foreign aid about 0.01 percent. This will save more than the patent fee increases will bring in. Or the income tax should be increased about 0.05 percent.

I earnestly request you to have nothing to do with cutting off the protection afforded by the Constitution to inventors, without whose work this Nation would not be where it is today.

Sincerely yours,

HARRY LUBCKE,
Registered Patent Agent.

LOS ANGELES, CALIF., *February 20, 1964.*

Hon. JOHN L. MCCLELLAN,
Chairman, Committee on the Judiciary, Subcommittee on Patents, Trademarks, and Copyrights, Senate Office Building, Washington, D.C.

SIR: With reference to Senate counterpart of H.R. 8190, it is the considered opinion of the undersigned that this is unwise legislation. The cost of obtaining patent protection to the independent inventor and to the small business organization is already extremely high. All that this bill seeks to do is to increase the cost to the individual and the small businessman.

The result of passage of this bill will be to eliminate patent protection for a very substantial part of the population and tend to concentrate patent protection in the larger corporate enterprises who can afford increased costs.

I do not believe it is the purpose of this or any other legislation to price this type of protection beyond the means of the ordinary citizen. The increase in fees proposed will constitute a very substantial burden, rendering in effect the availability of patent protection solely to the more wealthy members of the community.

It is requested that this letter be included in the transcript of the hearing on this bill.

Respectfully,

ROBERT DOUGLAS LYON.

MANUFACTURING CHEMISTS' ASSOCIATION, INC.,
Washington, D.C., March 20, 1964.

Hon. JOHN L. MCCLELLAN,
Chairman, Subcommittee on Patents, Trademarks, and Copyrights, Committee on the Judiciary, U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: The Manufacturing Chemists' Association, Inc., would like to take this means of submitting its views on H.R. 8190 and S. 2547 for consideration by your subcommittee and inclusion in the record of the hearings held on these bills on February 27 and 28, 1964. With certain differences, both bills have for their purpose the increase of fees payable to the Patent Office.

In this connection, it may be of interest that the Manufacturing Chemists' Association, Inc., founded in 1872, is the country's oldest national chemical

trade association, with 186 U.S. members, and represents more than 90 percent of the productive capacity of the U.S. chemical industry. The chemical industry spends more of its own money on research than any other single industry in the Nation. In 1960 some 10,200 chemical patents were issued, representing about 20 percent of all patents issued during the year. Thus, the chemical industry has a vital concern in any legislation affecting patents.

Our association realizes that over 30 years have passed since the fees for filing applications and issuing patents were last revised. Since that time, salaries and other costs have increased substantially. Inventors and their assignees should pay a fair share of the Patent Office costs and it is for this reason that our association in the past has supported a reasonable increase in Patent Office fees. In our letter of September 4, 1963, to the House Judiciary Committee we so stated our position. We were, therefore, quite pleased to see the introduction of S. 2547 by Senator Dodd, the provisions of which would increase Patent Office fees, making it more nearly self-sustaining. According to Senator Dodd, when he introduced his bill S. 2547, the proposed schedule of fees would produce slightly over $22 million in revenue each year. This is about the same amount which would be produced by H.R. 8190 after scheduled maintenance fees become fully effective.

By far the most objectionable feature of H.R. 8190, and the one to which we most strongly object, is the provision authorizing the imposition of maintenance fees for patents. The imposition of maintenance fees would, in our opinion, also have the undesirable effect of lessening the protection and encouragement now given to inventive efforts by our patent system. The Acting Commissioner of Patents, in his testimony, indicated that the Patent Office expected that at the end of the 5th, 9th, and 13th year a large number of patents would become invalid for failure to pay the maintenance fees. It was estimated that on the 13th anniversary date of the issuance of the patent only 15 percent of the patents would be continued in force. Thus, it appears to us that maintenance fees will have the effect of reducing the life of patents, thereby seriously weakening our patent system.

The philosophy behind the attempts to reduce the life of the patent seems to be that the patents then will go into the public domain and will be utilized fully by a large number of manufacturers. We do not believe this would be the case. Let us consider a situation where a patent is allowed to lapse by failure to pay maintenance fees and later it is discovered that the item covered could be utilized. There are very few manufacturers who would expend the considerable amount usually involved in the commercial development and marketing of a new product without patent protection. The public, thus, would be deprived of the benefits of many new developments.

In the House floor discussion on H.R. 8190, the assertion was frequently made that maintenance fees would save the Patent Office money by cutting out so-called "deadwood," a term apparently used to indicate patents not being utilized commercially. The lapsing of a patent does not eliminate it as a reference by the Patent Office. In its consideration of new patent applications, such a lapsed patent is treated by the Patent Office in the same manner as is an article in a journal, or as is a foreign patent. Being a disclosure, it forms part of the art which has to be searched to determine if a later applicant has a new invention. The issued patent has to be searched, whether it is used or unused, valid or invalid, still alive or expired.

Another reason why we strongly object to the imposition of maintenance fees is because of the administrative burdens which will be placed on both industry and the Patent Office. To impose the maintenance fees provided by H.R. 8190, it will be necessary for the Patent Office to keep accurate records of the status of many thousands of issued patents, to send out many thousands of notices of maintenance fees due (sec. 6e), process requests for deferment (sec. 6f), and publish lists of patents expired for nonpayment of maintenance fees.

The imposition of maintenance fees also seems to be an effort to eliminate so-called defensive patents. There are very few actually defensive patent applications filed. To call a large number of patent applications "defensive" indicates a lack of understanding of the way research is conducted and products often developed, especially in the chemical industry. Many times new chemical compounds are discovered for which no immediate use is apparent. With additional experiments, sometimes taking many years, a use for the compound is discovered. Thus, if the attempt is being made by the use of maintenance fees

to eliminate the filing of patent applications of this type, the result will only be greater secrecy.

There are several other provisions in H.R. 8190 which we view with concern and strongly oppose. Sections 1, 2, 3, and 4 of H.R. 8190 provide for increased fees for filing, prosecuting, issuing, and reissuing patents, and for recording assignments. We are somewhat apprehensive that the extra filing fee in H.R. 8190 for each independent claim beyond one may deter inventors from adequately claiming their inventions, and that the fees for printing the patents and drawings may deter inventors from fully disclosing their inventions.

As a matter of fact, Assistant Secretary of Commerce Hollomon and Acting Commissioner of Patents Reynolds emphasized in their testimony before your subcommittee on H.R. 8190 that the bill was drafted with provision for only one claim for the filing fee of $50 to encourage the submission of "dependent" claims, rather than a large number of independent claims. Patent attorneys today, in general, believe that for most inventions a series of independent claims are necessary to adequately spell out the area of discovery. The reason for this is that in case one claim in a patent is declared invalid by the courts, other claims will still be valid, protecting the invention.

The fee schedule of H.R. 8190 would be especially heavy on independent inventors. The independent inventor makes very important contributions to our society. The impact of this bill on the independent inventor would be considerably softened if he could present several independent claims for his filing fee instead of just one, and if for his issue fee he could have several pages printed without additional printing fees.

Today an inventor may file 20 or less independent claims for a filing fee of $30. H.R. 8190 would provide for a filing fee of $50 and $10 for each independent claim in excess of 1 and $2 for each claim (independent or dependent) in excess of 10. It has been estimated that the average patent application today contains about 15 or 16 independent claims. Thus, the filing fee, rather than being increased from $30 to $50, would be increased from $30 to about $200. It would appear to us to be better to provide, as Senator Dodd has in S. 2547, a filing fee of $70 and $5 for each claim in excess of 10.

The Manufacturing Chemists' Association, Inc., appreciates this opportunity of presenting our views on S. 2547 and H.R. 8190. In summary, it is apparent that S. 2547 does not contain the objectionable features which are found in H.R. 8190. Also, S. 2547 would produce some $22 million in annual revenue making the Patent Office more nearly self-sustaining. We would, therefore, like to go on record formally as endorsing S. 2547 and we respectfully urge that this bill be reported favorably and that H.R. 8190 be rejected.

Sincerely,

G. H. DECKER.

FEBRUARY 20, 1964.

SENATE SUBCOMMITTEE ON PATENTS, TRADEMARKS, AND COPYRIGHTS, COMMITTEE ON THE JUDICIARY,
Senate Office Building, Washington, D.C.

GENTLEMEN: We are informed that a public hearing on H.R. 8190 (Willis) relating to Patent Office fees will be held on February 27, 1964. The Milwaukee Patent Law Association is opposed to the enactment of this bill. We would appreciate your making our opposition of record and bearing our views in mind during your considerations.

Yours very truly,

MILWAUKEE PATENT LAW ASSOCIATION,
By ALLAN W. LEISER,
Secretary-Treasurer.

MIESSNER INVENTIONS, INC.,
Miami Shores, Fla., March 4, 1964.

CHAIRMAN, SUBCOMMITTEE ON PATENTS, TRADEMARKS, AND COPYRIGHTS, COMMITTEE ON THE JUDICIARY,
Senate Office Building, Washington, D.C.

MY DEAR SENATOR: Current news reports in the Electronics Industry media concerning House passage of H.R. 8190 and predictions of early favorable action by the Senate, with no prior intimations of any such actions, are shockingly deplorable to all independent and small-business inventors who cannot but be

further decimated by the proposed increases in old fees and the new ones for patent maintenance.

Already frustrated and reduced to a reported 30 percent in number by the past erosions of their creative rights by a hostile climate for invention, these inventors, proverbially competent but poor financially, will, beyond doubt, be further decimated by these proposed increases in patent costs, and driven willy-nilly into the corporate and governmental laboratories where, as those now already in these laboratories, they have nothing beyond a mere living wage to stimulate and reward their intellectual creativity.

Because of this arid climate for invention our annual U.S. patent output stands now only where it stood 30 years ago, despite astronomical increases in R. & D. expenditures and like increases in technically qualified, potential inventors. European countries exceed our own patent output per million of population by factors ranging from three or more fold. But in these countries appropriate laws have been passed to encourage and reward meritorious invention in every possible way.

An independent inventor for over 50 years with nearly 200 U.S. and foreign patents issued to me, many in worldwide use, President of Patent Equity Association, and an appointed member of the Department of Commerce, ad hoc patent panel, please allow me to object most strenuously to this bill, H.R. 8190.

I ask further that, in behalf of all inventors, both independent but unorganized, and corporate, who dare not voice their opposition, you include, as absentee testimony in your present hearing on H.R. 8190 and S. 2547, the enclosed papers of my authorship and prepared at my own expense.

To further frustrate the steadily shrinking independent inventors and to make the Patent Office more self-sustaining, instead of giving adequate appropriations to this ragged Cinderella among the many governmental agencies, is the rankest kind of heresy and myopic penury.

Can you not realize that you will further be throttling the geese who have always laid the golden eggs of our technological superiority among the world's nations?

Employed inventors have no incentives to create the new products and improve methods now so desperately needed to provide innovations which will reduce unemployment, increase our gross national product, and meet fast-increasing foreign competition.

In reality all patenting fees should be completely abolished rather than increased. The patent-assignment employment contracts should alas be abolished. Compulsory and realistic rewards for invention should be legislated, patterned after the German, Russian, Swedish, and other countries.

Sincerely,

BENJAMIN F. MIESSNER, *Fellow 1 EEE.*

[From the American Engineer, April 1963]

TODAY'S INVENTOR—A STUDY IN FRUSTRATION

(By Benjamin F. Miessner, Miessner Inventions, Inc., Miami Shores, Fla.)

In the remote ages of antiquity, a jungle warrior fixed a flint arrowhead to a reed for a lethal weapon. Another added a bow and thong in order to propel that missile farther than the other could throw it; yet another used a tubular reed as a blow gun for increased accuracy; still later gunpowder was added (by the Chinese), and now we have self-propelled missiles of great power, range, and accuracy.

Consider the first wheel, probably first used as a roller or in a wheelbarrow, then as a two-wheeled cart and later with four or more wheels. Out of this geared and other wheels in all their complex ramifications and applications in rotating machinery.

Technological growth expands upward from such basic elementary inventions, increasing its upturned base area by new combinations of the old with each new addition. Technological progress, as measured by the area of that base, increases even more rapidly therefore, like an inverted cone with a logarithmic contour.

The strange fact, however, is that the annual patent issue rate of some 50,000 remains lower than its rate 30 years ago. At the same time the number of our technically qualified, inventive manpower and the costs of R. & D. activities from

which patents flow, has risen to over a hundred times what it was in 1920. It is obvious that the cost statistics cannot possibly include those incurred by independent inventors, who account now for about 30 percent of the annual issue. Corporate invention cost estimates may be more accessible from tax and stockholder reports; but those of Joe Bloke, working alone and keeping no cost records, cannot be ascertained or even accurately estimated.

Then, too, most independent inventions, at least those with obvious commercial value, are acquired, before or after patenting, by corporate industry for the simple reason that such inventors rarely have the means to commercialize their own products.

It is for this reason that the statistics on corporate versus independent inventions are swollen in favor of the corporations. Patents assigned to corporations before issue indicate that fact, but they do not indicate whether the inventor was an employee or an outsider. Additionally, patents acquired from an inventor after issue can contain no mention of the purchaser. Such facts can only be ascertained from the records of patent ownership transfer in the Patent Office. Were all of these facts included in the patent output statistics, the contributions of independent inventors would undoubtedly exceed those in corporate employ, instead of the opposite as those statistics now stand.

Corporations for a long time have been belittling the independents, by such terms as "attic or garage" inventors, all the while elevating the stature of their own for the benefit of their naive public and stockholders. New inventions are paraded nationwide as their own, when in fact many, possibly half of them, are the adopted brainchildren of total outsiders, bought and paid for sometimes under miserable terms for the seller; and others are simply pirated from those too weak to protect their rights in hostile courts. One may well ask why our national patent productivity is so low considering the great increase in our qualifications for creativity both in quantity and quality.

Why, for example, should $597 million, spent by the National Science Foundation on 18,000 research grants and another 18,000 fellowships, produce only 3 patents? Why again should $365 million, spent on 7 major R. & D. contractors in the aircraft and electronics industries, have produced a total of only 41 patented inventions? I may add that a patent defines a "novel and useful" contribution to science or technology.

If I may be permitted a personal reference I would add that I, surely with no more inventive potential than any other engineer, and working virtually alone, have received upward of 200 patents in 30 years. From those inventions, all purchased ultimately by corporate industry, there were royalty and sales returns aggregating 1½ million. Not that royalty rates were appreciable; these in fact averaged less than one-half of 1 percent at factory prices, of the involved products in the electronics industry.

The lone inventor is never in a good bargaining position with an adversary who can say whether or not he will make the inventor's product.

It is interesting to note that my R. & D. facilities cost no more than $10,000 and that the R. & D. plus patenting costs did not exceed $1,000 per patent. Also, I have no Ph. D., M. A., or even a B.S. degree, having attended Purdue University for only 3 years.

If this comparison, with the above-cited patent productivity of the National Science Foundation's grants and fellowships, and of the seven Government contractors, be odious, it is nevertheless factual. My case is not exceptional. There are many prolific, independent inventors in the United States who have equaled, and a number of others who have much exceeded my own record.

That I many times outproduced corporate inventors was due to but one overpowering reason. Like the independent inventors of other days, I could keep at least some of the fruits of my creations. If I burned the midnight oil and risked my family's security in striking out as a lone wolf in this rapacious climate for invention, it was simply because, with my big idea, I could see a pot of gold and much more important other rewards at the end of my rainbow. Incentives and rewards make one man work while others, just as capable but without incentives, sleep or waste their most productive years at half work and lots of play.

What of the corporate engineer or scientist? What rainbow beckons him? What are his stimuli and rewards?

There was a time, before the great laboratories were formed, when he too had incentives and rewards. Then common law gave the products of his creativity; i.e., the patents, to him. To his employer, who paid his salary and provided facilities and materials, went only nonrevokable, nonexclusive, royalty-free

license to make, use and/or sell the product, no more. That law still holds in the absence of a contrary contract of employment.

The corporate employers, however, were dissatisfied with the workings of common law, so they soon devised employment contracts which "for $1 (sometimes $10) and other good and valuable considerations" (his job) required the employee, willy-nilly, to assign his future patents to the corporation. So this type of contract has become general in the corporate practice of our patent system. The corporation can produce or not produce the invention; it has the exclusive right to it and the exclusion of others, including the inventor himself. It has them exactly where it wants them, under complete control.

Generally long established industry wants no revolutionary, "breakthrough" inventions. It prefers peace to technical progress which obsoletes old products, methods, or facilities. It likes little, easily digested improvements on what it already has and knows inside out, never radical changes. Like old dogs, it wants to learn no new tricks, whereby newly imported experts guide its destiny.

When Edison confronted the gas lighting industry with his electric light, he got nowhere. Wagonmakers told "tin lizzie" owners to "get a horse;" the telegraph interests saw in the telephone only rough competition which might obliterate them; it took a long time for A.T. & T. to get into radio techniques—and so on, industry by industry, the old always fearing, even blocking, the new techniques.

Often entrenched in industry is the immovable object, the mental inertness, which blocks the ultimately irresistible force of progress, and so progress is very slow, although the means are there and ready. Billy Mitchell was court-martialed for going over the heads of Defense brass on aircraft bombing. Admiral Rickover had the Devil's own objectors to nuclear submarines. The pipe organ builders sought a Federal Trade Commission's injunction to stop Hammond's electronic organ. With John Hays Hammond, Jr., I, in 1912, demonstrated guided and target-seeking marine missiles but those principles laid rusting unused for 50 years, although detailed in my 1916 book, "Radiodynamics."

The great corporate laboratories set their engineers to work, as I have indicated, on small improvements for the most part, not those which will upset their applecarts.

It is the independent inventors, over whom they have no control whatsoever, that they fear most, for it is they who at any moment may unveil a development which can throw into the ashcan all that they make, use, and sell, even to their technical know-how and facilities.

In 1929 when I had perfected battery-less radios, the industry, long believing this impossible and fearing its immediate consequences, sought in large advertisements to deride and belittle it. Aluminum cooking utensils were similarly decried by the long-established enamelware industry. What inducements then do they offer their creative employees? Suppose one comes up with an invention which will save or make them millions? What are his rewards for thinking or working harder than his fellow employees?

Since the "stroke of genius" decision of the Supreme Court some years ago, the requirements for patentability have washed out all combination of known elements applications, no matter how new or useful the result—a complete about face of former patentability principles of our Founding Fathers.

Should somehow he make a go of it, the Treasury Department takes a lion's share; should he fail, they look elsewhere for fuller pockets. Should a pirate thumb his nose at him, he will find little comfort in the courts, even assuming he can finance such a costly and rigged gamble. Venture capital for invention exploitation is likewise shackled.

Even the Government itself is as tough as anyone. When we became a belligerent in World War II, the Government issued "stop orders." These forbade the use of manpower and strategic materials for nonstrategic purposes. For some 6 years thereafter no patent on a nonstrategic product could be exploited. Thus, one-third of the 17-year life terms of those patents was lost, and maybe strategic timing as well for involved products.

After that war, European countries made restitution in kind for the lost years by extending those patents for a like term of years. Our Congress did also, via political motivations, for war veterans only, but not for civilians. There were a number of hearings in the House Committee and the House ultimately passed a civilian patent extension bill.

The Senate then also held hearings and its Judiciary Committee approved a finally adjusted bill. But this was blocked by Senator Albert Gore, Democrat, of Tennessee, on a move to hold over, as the session was nearly ended.

At each and every hearing these bills were strongly objected to by the National Association of Manufacturers and the National Patent Law Association, not after a referendum to their rank-and-file members, but by their legislative policy committees, both consisting of executives of big, corporate businesses. As with many others, I lost some $200,000 in royalties on electronic musical instruments, and 30 of my patents in this field expired into the public domain with never a penny of return.

The Patent Office agreed that it could easily administer such a law, and at no added cost to taxpayers, via extension application fees. Patent users were protected by enforced licensing at nominal royalties, and appeals were possible. The Small Business Administration and the Small Business Men's Association supported it, as did the Veterans' Administration and noncorporate patent lawyers.

But NAM's and NPLA's minions of big business killed the bill. The shock of that blow to independent inventors and little business, dependent on patents for its very survival, laid low the Patent Equity Association, which spearheaded these bills, and of which I am president. Those inventors who were in corporate employ cared not one whit because their rights in their patents were taken away by their employment contracts; nor did the large corporations who had cross-license agreements with one another; they also got, royalty free, the use of the expired patents.

As another striking indifference of our Government toward inventors, let us compare patents with the copyrights of authors, composers, photographers, painters, and recording aritsts.

The creative costs and efforts involved in this realm of creativity are generally minuscule compared with the R. & D. costs of invention. An author may compile a book or write it by hand or on a typewriter; a composer may need a piano and very little else.

Again, the composer often adopts old tunes and rhythmic patterns in poorly disguised rearrangements, the photographer does his job quickly with a camera; a painter in somewhat longer time; the recording artist may or may not need an accompanist or an orchestra in a recording studio operated by others, or even himself.

The cost of registering a copyright is $3, but the filing fee alone for a patent application is $30, while the attorney's and draftsmen's fees for preparing the application may vary from a few hundred to several thousand dollars. In addition, the attorney's prosecution charges may run from a hundred or two to many thousands of dollars depending upon the complexity and importance of the invention. Sometimes, after allowance by the patent examiner, as to novelty and usefulness, an interference is declared with like allowed claims of another (sometimes more) inventor with the same idea.

Such interferences can be very costly if the other inventor is as assiduous and as financially able as the first in establishing precedence, and such proceedings can delay patent issuance for years.

The issue fee of the Patent Office is another $30 but, if the number of claims exceeds 20, each additional claim costs another dollar. Where patents run only 17 years, copyrights run initially for 28 years and may be extended for a like period to 56 years. And even now, legislation is about to extend the total to 96 years.

What about product production costs?

Tooling up for inventions may run from a few hundred dollars for such a simple gadget as a one-piece can opener, to many thousand dollars for more sophisticated products. Reproduction in quantity of books, music, and records is relatively very much lower in cost.

What about royalties? The generally accepted standard for copyright material is 15 percent; for inventions it rarely exceeds 5 percent. In my own case they (for two different and entire groups of about 50 patents each) averaged less than one-half of 1 percent.

What is the meaning of all this?

We may have 5 million potential inventors but we actually have less than 50,000 patents issued each year, and the obivous reason for this is lack of stimuli and rewards. To provide the driving force for invention, the patent system requires drastic revision, and the employment contracts requiring patent assign-

ment must be annulled, with a return to the dictates of common law, or at least some fair sharing by the inventor in the ensuing profits of his creations.

Even now the tides are running the other way. Congressman Celler's (Democrat, New York) H.R. 10966 would increase all the normal patent office fees and also establish new periodic fees for the maintenance of patent rights. These would present no hardship at all for corporate patent owners but would surely further and drastically reduce the independent inventors who have produced practically all of our great inventions of the past.

All those who are involved in patent-entanglement, employee-contracts should write strong letters to their representatives in Congress demanding remedies for the ills of the patent system.

We should demand:

(1) Much higher appropriations for the operation of the Patent Office, so that it can pay its examiners sufficiently to keep them there once they have been trained in its critical procedures. Private industry has for years been siphoning off its best and most experienced men for their own patent departments, at higher salaries, affordable by many via the cost-plus Government contracts.

(2) The search procedures (of prior art) are in great need of improvement, perhaps by computer techniques, so that the vast backlog jam of patent applications can be eliminated, and the whole process speeded up so that the long delays now prevalent can be reduced to at most a year or less from four or five.

(3) Once allowed, the patent term should not begin until actual commercial production has begun; even then, the 17-year term is far too short by comparison with the 56-year copyright term.

(4) If, in national emergencies, patent exploitation of nonstrategic products must be forbidden, then those patents should be automatically extended to recoup the lost years.

(5) Litigation over patent rights should be before competent tribunals in the Patent Office itself and not before U.S. district courts. Patent Office personnel are experts in many fields of science and technology and their judgment should be just and final. Even the U.S. Supreme Court is devoid of such obviously necessary qualifications, especially in the present high state of our technology and its proliferous branches of specialization.

(6) The Patent Office fees should be decreased, instead of increased, as now proposed in Congressman Celler's bill. After all, the inventor discloses his secrets in his patent. After it expires, it is free for all to use, royalty free, until doomsday. Even before that the average inventor seldom retrieves his time, pains, and costs of development and patenting. Besides that, he must be compensated, not alone for his personal welfare but, more importantly, so that he can continue his creative work for the benefit and security of all society.

(7) The Revenue Department, ever ready to take profits where it finds them, should be especially considerate of these gifted ones who alone "lay the golden eggs" of scientific and technological progress.

(8) The invention-strangling, patent-assignment contracts should be abolished or replaced by enforced, adequate compensation.

These are the chief ills and their remedies for returning patent productivity back to the days of Yankee ingenuity, which produced the inventions which our society now so elegantly enjoys.

By thus opening the floodgates of our now harassed and bound inventive power and potential, we will provide that friendly climate of incentives and rewards which, through the past two generations, has been dammed up and immobile.

If our enemies abroad are progressing with wholly unexpected, great strides, it is only due to their recognition of the fact that truly flowering invention must receive tender and expert care and the nutrients it must have to live, grow, and proliferate.

American ingenuity has led the world for many years in technological progress, amply attested by our high standard of living. It can, if only we will let it, surpass immeasurably all previous records. If for no other reason, our very national security itself demands it, lest others "bury us."

For those who wish to probe deeper into this "Patent Mess," I suggest writing to the Government Printing Office, Washington, for copies of the reports and the hearings of the House and Senate Judiciary subcommittees on our patent system.

As recent reference information, I would suggest "The Patent Brouhaha" in International Science and Technology, in its May and September issues, and "The Patent Mess" in Fortune magazine, for September, both in 1962.

About the author

Benjamin Franklin Miessner has long been active as engineer and inventor. He has worked independently in his own laboratory since 1930, and prior to that time was chief engineer of various radio corporations. He is a fellow in the Acoustical Society of America, and of the Institute of Electrical and Electronic Engineers. In the electronic field, Miessner can lay claim to 200 basic inventions, ranging from missile guidance (1911–12), aircraft radio (1916–20), electrophonograph (1921–22), plug in radios (1923–30), to noise canceling microphones for aircraft use, and to electronic pianos and organs. He is also president of Patent Equity Association, a trustee of the Miami Museum of Science and Natural History, and a member of the advisory committee of the Society of the History of Technology.

CHEVY CHASE, MD., *March 18, 1964.*

Subject: H.R. 8190.

Senator JOHN L. MCCELLAN,
Chairman, Senate Patent Subcommittee,
Old Senate Office Building, Washington, D.C.
(Attention Mr. Stephen G. Haaser, Chief Clerk.)

DEAR SIR: My views on the above entitled subject are submitted herein, in accordance with my discussion with Messrs. Cralence Dinkins (chief counsel) and Stephen G. Haaser (chief clerk) of the subcommittee.

Regarding my qualifications: Ph. D. in chemistry (and chemical engineering); 22 years as associate director of research, and head of patent department with leading corporation in research, development, and licensing of patents in the petroleum industry; military service in World Wars I and II (in latter as Chief of Development, Chemical Warfare, and in other service); assigned about 30 patents of military value. Received Legion of Merit Award for "Contributions to weapons and munitions used in all the theaters of war"; most of the war served as colonel. In 1936 I was selected " as 1 of 20 inventors, by the Patent Office to represent all contemporary inventors" at the Patent Centenniel Celebration. In 1940 I was one of a group of inventors given the Modern Pioneers Award, by the National Manufacturers Association.

As a scientist I have published about 200 scientific and technical articles, and am coauthor of an authoritative book on catalysis. As an inventor I have had about 400 U.S. patents (as inventor or coinventor) over a period of 45 years. Most of these patents were assigned to the corporation under the usual employment contract, which in general involve no interest or commensurate reward for inventions. The most important of these patents (Morrell, U.S. Patent No. 2,169.809, Aug. 15, 1939) of extremely great value and need by the U.S. Government during the war (and for general use ever since), relates to a high-octane component of aviation and motor fuel. It was assigned to the corporation in the usual manner which joined with several other companies to exploit it. Royalties during the life of the patent were upward of $50 million, but development and litigation costs before this amounted to several millions. This was obviously a "big" corporation operation.

From the above example one might erroneously assume that the independent (or "lone wolf") inventor has no place in the scheme of things or that he is not of enough importance to consider in connection with patent legislation because his days are numbered on account of his great and unsurmountable disadvantage in competition with the corporation. Since it is my thesis that passage of H.R. 8190 by the Senate could very well demolish the independent inventor, it can be readily demonstrated that he is most important under our present patent system, and to our economy and national welfare, safety, and progress. Moreover, while the corporation controls vastly more financial resources for development and litigation, they have no monopoly on inventive brains. Invention, by its very nature, is essentially the mental process of the individual, and quality and not numbers of corporation employees determine the value of the invention. The actual cost of making and testing an invention for patent purposes is generally very small in comparison with the cost of development and it is in this area that the well-qualified and organized independent inventor can compete. The corporation fully recognizes all of these facts, and instead of competition there is actually cooperation where each is in a position to offer something of value to the other. In this context I may mention that one of the largest corporations in the country,

with perhaps the largest and best organized research staffs, purchased a patent from me on a mutually satisfactory basis. On the other hand it may be stated parenthetically, dealings with regard to inventions upon which patents have not issued, because of certain restrictions for which no one has developed a satisfactory formula, could result to the great disadvantage of the independent inventor. This emphasizes the need for a fair and practicable patent system under which he can operate, which is threatened by H.R. 8190.

It is indisputable that all of the basic inventions of the 19th century upon which the vast expansion and growth of our industry and economy (from an agricultural and trading community), has taken place were made by independent inventors. Obviously the situation has changed in the present century, but only a relatively short time ago, F. B. Jewett, a former vice president of the American Telephone & Telegraph Co., a stanch defender of our patent system, stated that his company obtained about 50 percent of their patents from the outside; i.e., from the independent inventor. In any event the number and quality of inventions by independents are too important to the economy and prestige of the United States to be trifled with by tampering with the system; and there is a basis for the assumption that the figure cited by Jewett applies industrywise.

The independent inventor's lot has never been an easy one as witness Charles Dickens' "A Poor Man's Tale of a Patent" (Old Curiosity Shop) written about 140 years ago; Goodyear's lifelong struggles in the development of vulcanized rubber (in his kitchen), and Davenport's invention of the electric motor in a country blacksmith shop. Most of the basic patents of the 19th century were made under adverse conditions and in fact many people picture the modern independent inventor as what used to be referred to as the "woodshed" inventor. Many important "one-shot" inventors continue to operate, and some successfully, on a comparable basis.

The modern independent inventor has to operate on an organized basis albeit as a lone wolf. He is generally a reputable and well-qualified scientist and/or engineer. He also generally has a proven record of good inventions, and of course must have confidence that he can produce. He must be sufficiently self-sustaining to devote a substantial amount of his time to invention over a long period of time and have facilities with which to test his invention, or be able to finance if done by others. To insure that at the end of 5 years or more (depending upon the research period) his hopes are not dashed by final rejection of his patent application, he must balance the risks by carrying several projects at the same time so that at least one will "pan" out to finance future invention and patent risks. He must also be able to finance the preparation of the patent applications, including search and legal fees, filing fees and prosecution costs. In many cases several patent applications may be necessary to protect a single invention with improvements and alternatives, and his troubles have just begun. He must wait at least 3 years (and in some cases as long as 6 years), and still stand more than a 50-percent chance of a final rejection. It may be interpolated here that "standards of invention" have not been too well defined, and rejection of a "new and useful" improvement in some cases could very well be based on "obviousness" which in many cases is "hindsight" and in any event is a subjective viewpoint. The chances of winning on appeal become dimmer, and resort to the Court of Customs and Patent Appeals, or the Federal district court are generally out of the question for the independent inventor because of crushing costs which have already become unbearable at this stage if he has a final rejection. It is hardly likely that the average independent inventor can take on the additional burden imposed by H.R. 8190.

The patent is issued: Now comes the equally long struggle to develop and commercialize it. The inventor must turn "salesman" if he expects, as he should, to recoup his costs, and perhaps turn a well-deserved profit. If he is a good inventor, he is generally not a good salesman, and in any event inventing is more palatable to him. In many cases he turns to something new; and in some cases if his invention is good he may be solicited by a company needing it. In any case he must be very patient, and allow from 3 to 5 years before its acceptance will be resolved. If he is well known the corporation doors are open to him, but this does not mean that his improvement will be adopted. In many cases the investment in equipment is too great to replace existing processes by new ones. In others the process, or apparatus, or product must be tried on a large scale where the results may be different and perhaps not so satisfactory as on the laboratory scale. This calls for a sizable expenditure which the company must consider carefully as there is some element of risk. To give three

actual cases from the writer's experience: (1) The patent was issued for 7 years and due diligence exercised in "selling" it. A large company made an offer resulting in a deal. (2) The patent had been issued for 13 years, and had been offered to the companies, who if progressive should have been interested. Another company in a different field, but very progressive in research, purchased it. The history of this patent would indicate a complete loss if H.R. 8190 had been in effect. (3) A group of patents for the improvement of catalysts in an important petroleum process tested successfully in the laboratory. Now 2 years later the process has progressed to the stage where the product has been made on a large scale, and at least 1 year more will be required to test the improved catalyst in the petroleum process, and while all evidence points to success, it is not assured. Other examples could be cited.

It is not unusual for a good patent to expire, i.e., run its course of 17 years without income. In my own experience I have had some patents "fail" mainly in some of those cases which occurred in groups, the developments were ahead of their time; in others the developments had to be neglected because military or special Government service intervened; and in others I concluded that I was a more diligent inventor than a salesman. All of these losses are factual, and in some sense normal, and are sound arguments why the independent inventor cannot take the additional burden of H.R. 8190.

The economics of H.R. 8190: Our Founding Fathers were wise to include in our Constitution a provision which is the basis of our patent system; and to date we have been fortunate that the temptation to tamper with it has for the most part been ineffective. We all agree that our patent system, and its objectives of promoting the growth of the arts; of industry and the economy have been fulfilled. To state the provision simply: One may obtain a patent on a new and useful art, machine, manufacture or composition of matter to exclude others from using or vending the improvement as defined by the claims of the patent, in exchange for a complete disclosure of the said improvement. The meticulousness with which H.R. 8190 is drawn to enmesh the inventor with charges at every turn, and the amount of the charges is completely out of keeping with the spirit of the provision, and consequently will tend to defeat its objectives. It would appear that the only recommendations which are warranted on any basis are the suggested filing and issuance fees, and these are more than ample under the circumstances.

There is no basis from the economic viewpoint for the Patent Office to recover its expenses, and to place the burden of doing so on the inventor. No other agencies of the Government or divisions thereof namely Agriculture, HEW, Commerce (except for the Patent Office in the present instance), and the most costly of all namely Defense are called upon to do this. Moreover, the Patent Office in its function of administering the patent system, and the provisions of the Constitution relating to the same is in reality the fountainhead, and indirect source, of a major portion of our national income by fostering the birth of new industries and maintaining and improving the existing ones: all in accordance with the original objectives of the constitutional provision. The question may be raised whether the Patent Office is entitled to bookkeeping credit for the income tax derived from these improvements; and the capital gains due to the growth of our economy as a result of inventions processed by the Patent Office. It would appear to be just as logical to do this and show a profit, as it would to make its expenses.

H.R. 8190 also has the serious defect of taxing the inventor (the real source of our economic growth) first, by making him foot the bill of operating the Patent Office, and secondly, the income tax and capital gains which he pays when he collects royalties or sells his patent. (Is it possible also that the inventor's "contract" whereby he is to receive a patent in exchange for a full disclosure is in some manner being violated if he also is made to pay for it?) It would appear that we are coming dangerously close to killing the goose that lays the golden egg if we follow the trend set by H.R. 8190.

Senator McClellan (the chairman of the subcommittee as well as chairman of the Judiciary Committee) has put his finger on the crux of the matter in his reported statement that the Patent Office should recover a greater share of its expenses, but he wants to be sure that increases in fees do not have a harmful effect on the patent system. My opinion on this question as is evident from the somewhat prolix discussion above, and based on my long experience as an inventor is that a reasonable increase in fees (filing and issuance only) would

be beneficial, H.R. 8190 would be seriously detrimental and harmful to our patent system.

It is requested that this memorandum be made a part of your record.

Respectfully submitted.

JACQUE C. MORRELL, Ph. D.,
Colonel USAF, Retired.

U.S. SENATE,
COMMITTEE ON LABOR AND PUBLIC WELFARE,
February 28, 1964.

Hon. JOHN L. MCCLELLAN,
Chairman, Subcommittee on Patents, Trademarks, and Copyrights, U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: I am enclosing a letter I have received from Mr. I. Louis Wolk of the New Jersey Patent Law Association, Rahway, N.J.

I would greatly appreciate it if this letter could be made part of the record of hearings on H.R. 8190.

With my best regards.

Sincerely,

HARRISON A. WILLIAMS, Jr.

NEW JERSEY PATENT LAW ASSOCIATION,
Rahway, N.J., February 26, 1964.

Re H.R. 8190.

Hon. HARRISON A. WILLIAMS, Jr.,
U.S. Senate, Washington, D.C.

DEAR SENATOR WILLIAMS: The New Jersey Patent Law Association which has a membership of over 300 patent attorneys engaged in corporate and private practice in this area, by vote of its membership and its board of managers, has instructed me to write to you with reference to the above bill which has passed the House and which has been sent to the Senate for action. We understand that a hearing on this bill is scheduled for February 27, 1964.

Our association has no objection to the basic concept of increasing fees and thus enabling the Patent Office to recover for the Government a substantial portion of its expenses. Our membership wishes to express its opposition to the provisions of this bill which would establish for the first time in our history the principle of maintenance fees for issued patents. This opposition is based upon the fact that apart from a tax upon patents which such fees represent, it would be inconsistent with the fundamental purpose of the patent grant as an incentive to inventors and innovators. The principle of taxation which is thus established would present dangerous implications for the future.

Despite our objections to such fees as a matter of principle, there are some very practical factors which should be considered in connection with this proposal.

Under the proposed legislation the tax would, of course, not apply to patents already granted but would be effective increments beginning 5, 9, and 13 years hence with respect to patents granted after the enactment of the legislation. The fees which would be required are $50 per patent at the end of 5 years, $100 per patent at the end of 9 years, and $150 per patent at the end of 13 years.

During testimony presented in hearings before your subcommittee in connection with S. 2225 on September 24, 1962, at which time the proposed maintenance fees were double those provided for in the above legislation, or $600 in total, the Commissioner of Patents testified that this amount would after 13 years contribute 25 percent of the Patent Office budget. This means that on the same assumption, the maintenance fees of the present bill after 13 years would contribute 12½ percent of the presently estimated Patent Office budget. There would be no contribution to the Patent Office budget through maintenance fees for the first 5 years after the bill is enacted: from the 5th through the 9th years the contribution would be 2$\frac{1}{12}$ percent, from the 9th to the 13th years the contribution would be 6¼ percent, and after 13 years these fees might be expected to contribute the 12½ percent toward the Patent Office budget.

As a matter of fact, the amount of tax to be expected at any time in the future is highly speculative since one can only guess at the number of patents on which maintenance fees will ultimately be paid.

When one realizes that the amount of revenue which is anticipated by this means is such a relatively small portion of the Patent Office budget, as indicated by the above figures, and that the exact amount which might be collected is a matter of pure speculation, and is deferred for so long a period of time, it appears to us that this approach to the production of revenue is unsound and does not justify the increased cost of administration by the Patent Office or the patent owner.

It is our understanding that others have estimated that increase of the filing fee by $15 and the issuance fee by the same amount would compensate for any loss of revenue resulting from the deletion of the maintenance fee provisions of the above bill. It is our view that such increases, if considered necessary, would be preferable to the establishment of the maintenance fee principle.

Sincerely,

I. LOUIS WOLK, *Secretary.*

THE ASSOCIATION OF THE BAR OF THE CITY OF NEW YORK,
New York, March 19, 1964.

Re H.R. 8190 and S. 2547.

Hon. JOHN L. MCCLELLAN,
Chairman, Subcommittee on Patents, Trademarks, and Copyrights, Committee on the Judiciary, Senate Office Building, Washington, D.C.

DEAR SIR: The Committee on Trademarks and Unfair Competition of the Association of the Bar of the City of New York respectfully submits its comments on the fee increases proposed by the above bills, insofar as they affect the trademark operations of the U.S. Patent Office.

Assuming (without necessarily accepting) the premise that the Patent Office should be able to support itself on the basis of the fees it collects, the position of this committee is that any increases in fees applicable to trademarks should in no event exceed whatever proportionate rise in the specific charges under existing law may be necessary to make the trademark operations of the Patent Office self-supporting. The increases embodied in the above bills, particularly S. 2547, are so substantial that the revenues from trademark fees apparently would far exceed the expenses of that portion of Patent Office operations. In other words, trademark proprietors would be contributing to the expense of running the patent operations of the Office.

We submit that it would be grossly unfair thus to impose part of the burden of supporting the patent functions of the Office upon those who are concerned with its trademark functions. Our view is that the separate functions performed by the U.S. Patent Office under the patent and trademark laws should be considered separately for the purpose of calculating the fees necessary to make both operations self-supporting. When this is done, we believe that the increases in trademark fees proposed by the two bills under consideration by your committee will be found to be disproportionately large in comparison with the patent fees. We oppose any increase in trademark fees that would provide more revenue than is necessary to support the trademark operations of the U.S. Patent Office.

In the event that additional hearings should be held on these or any similar bills, we trust that you will be good enough to provide us with advance notice so that we may have an opportunity to appear and state our views in greater detail.

Respectfully yours,

SIDNEY A. DIAMOND,
Chairman, Committee on Trade Marks and Unfair Competition.

U.S. SENATE,
COMMITTEE ON THE JUDICIARY,
March 6, 1964.

Hon. JOHN L. MCCLELLAN,
U.S. Senate,
Washington, D.C.

DEAR SENATOR MCCLELLAN: I am enclosing a copy of a letter which I received from George R. Nimmer, a patent and trademark attorney located in Omaha, Nebr.

I would appreciate it very much if his letter could be included in the transcript of the hearing on H.R. 8190, a patent bill pending before your committee.

With very best wishes and kind regards.

Sincerely yours,

ROMAN L. HRUSKA,
U.S. Senator, Nebraska.

OMAHA, NEBR., *February 15, 1964.*

Re H.R. 8190, Patent Office maintenance fee bill.

Hon. ROMAN L. HRUSKA,
Senate Office Building,
Washington, D.C.

DEAR SENATOR HRUSKA: I understand that the above bill is now in the Senate Judiciary Committee, of which you are a member. Please allow me to express my disapproval of this bill.

Such an annual maintenance fee upon patentees would be oppressive and burdensome to the small independent inventor; most Nebraska patentees fall within this class. This annual maintenance fee would place the small independent inventor in a disadvantageous position in promoting and negotiating a license for his invention. In other words, the tax would force him to accept an inadequate royalty, because of the pressure of the annual tax. Moreover, the maintenance fee would discourage many inventors from applying for a patent in the first place.

I do not believe that the maintenance tax would be too oppressive to the small inventor if it were to come in effect later on in the life of the patent, perhaps the fifth year or so. By the fifth year, the individual would (or certainly should) have made provisions to either sell or license the invention covered thereby.

Let us not discourage these independent inventors from applying for and promoting their inventions. It is respectfully urged that you keep them in mind when this bill is before the Senate Judiciary Committee.

Respectfully,

GEORGE R. NIMMER.

DAYTON, OHIO, *February 24, 1964.*

Hon. JOHN L. MCCLELLAN,
Chairman, Senate Judiciary Subcommittee on Patents, Trademarks, and Copyrights, Washington, D.C.

SIR: The members of the Patent, Trademark, and Copyright Committee of the Ohio State Bar Association listed below have authorized me to transmit the following statement for inclusion in the record of the hearing on H.R. 8190 (Willis) bill which is scheduled for February 27, 1964. Since there is insufficient time to obtain approval of the Ohio State Bar Association as a whole for submission of our statement prior to the scheduled hearing we have prepared the following statement which we submit as individuals.

As part of our regular function we as a committee have reviewed the fee bill as passed by the House of Representatives. We favor an increase in Patent Office fees. However, we are of the opinion that a bill embodying the features of the Laird bill (H.R. 8420) should be considered instead of the Willis bill.

Very truly yours,

JOSEPH G. NAUMAN,
Secretary, Patent, Trademark and Copyright Committee, Ohio State Bar Association.

EDWARD S. SACHS,
LEE JOHNS,
H. T. DYBVIG,
WILLIAM J. MASE,
JEROME R. COX,
KENNETH MILLER,
M. C. YEASTING.

PAN AMERICAN PETROLEUM CORP.,
Tulsa, Okla., February 14, 1964.

Subject: Patent Office fee bill.

Hon. JOHN L. MCCLELLAN,
U.S. Senator.

DEAR SIR: I sincerely believe that the Patent Office fee bill which passed in the House of Representatives identified as H.R. 8190, if enacted, would seriously stifle the true purpose of our patent system. This system was not founded for the individual, but was intended to benefit the public in general. As was stated in *Mercoid Corp.* v. *Mid-Continent Co.*, 320 U.S. 661, 665: "It is the public interest which is dominant in the patent system."

The individual inventor usually is not without his financial limitations. It is equally true that he oftentimes has an exaggerated opinion of the value of his invention. Nevertheless, enthusiasm alone will not get the job done insofar as concerns the matter of obtaining patent protection on his idea. Any additional financial burden, as contemplated in H.R. 8190, placed on an applicant for a patent cannot help but act as a deterrent to the desire and ability of an individual to obtain such protection. This is a simple law of economics. Admittedly, there are currently many inventions on which the private inventor seeks patent protection that are of doubtful value, but these individuals are also capable of turning out inventions that more than make up for their lightweight ideas. For example, the automatic bowling pin setting machine was the idea of a private inventor. He interested a large manufacturing concern in the invention. This resulted not only in a whole new industry being established, but the sport of bowling expanded many times over what it had been prior to the introduction of this device. The effect on the economy of this particular field of recreation and on those associated both directly and indirectly with it resulted in a substantial source of new revenue to the Government.

Another outstanding example of an individual's contribution to the public via the invention route is the basic work that finally resulted in the development of nylon. Dr. Carothers, although he perfected the material that came to be known as nylon while he was employed by Du Pont, did the basic work as a graduate student at the University of Illinois under Dr. Roger Adams. He had the germ of the idea before he became a member of a large industrial research corporation. If he, as an individual, had wanted to patent this basic concept at the time he was in school, a law having the provisions of H.R. 8190, could hardly be said to have made his way easier.

Along this line a most interesting article, entitled: "Invention in the Industrial Research Laboratory," by Mr. D. Hamberg, appearing in the Journal of Political Economy for April 1963, points out that the truly basic inventions, in large part, have—both in the past and up to the present—come from the individual or private inventor. I am enclosing a copy of Mr. Hamberg's discussion of the subject for your review. I feel that one of the chief points to be gleaned from this article is that statistics show the independent or private inventor is needed to furnish the basically new ideas and the corporate research groups are highly useful in polishing these ideas, so to speak, in order to place them into a form from which the public can benefit. You will appreciate, I believe, that in the case of the individual inventor he can be entitled to a patent, notwithstanding the fact his device is in crude form. The important thing is if he has taught a new principle, he usually is entitled to patent protection. Mr. Bell's telephone was hardly ready for coast-to-coast use when he applied for patent protection, yet the principle by which his device operated is present in the highly efficient telephone of today. Accordingly, it would seem that the individual and corporate inventor need one another to provide maximum benefit to the public. In order for our patent system to function most efficiently, and to attain the purpose for which it was designed, nothing should be done in the way of legislation that would tend to discourage this joint effort. That the individual inventor is still very much in prominence may be seen from the February 4, 1964, U.S. Patent Office Gazette, which I selected at random. Of the 661 patents issued during the week of February 4, 170, or about 25 percent of them, were granted to individuals.

As I view the problem, H.R. 8190 is going after the solution in the wrong way. Nothing should be done that would result in a slowdown of the free flow of ideas to the Patent Office.

Finally, as I have pointed out in the beginning of this letter, the Patent Office was designed primarily for the benefit of the public. Why shouldn't the public

contribute to its existence? It is completely illogical to suppose that the Patent Office budget should be supported primarily by inventors. The purchase of stamps alone does not support our postal system. Society benefits from both of these services and, hence, it seems only reasonable that a substantial part of the money required to run them be derived from the public.

The record of the debate on the subject bill in the House of Representatives reveals an alarming lack of information on the part of certain individuals supporting the proposed legislation. The National Council of Patent Law Associations has reported on this debate as follows:

"Those speaking * * * in favor of maintenance fees were Messrs. Lindsay, Mathias, Willis, and Celler. On five separate occasions throughout the debate, one or another of these gentlemen argued that maintenance fees were desirable because they would weed out the deadwood in the Patent Office and thus make it easier for the Patent Office to search new applications because the Patent Office would not have to make an infringement search through the claims of lapsed patents on which the maintenance fees had not been paid. This fundamental misconception of what the Patent Office does went entirely unchallenged, and at least for those House Members who attended the debate, the impression must have been left that the Patent Office makes infringement searches which maintenance fees would reduce, thereby saving the Patent Office considerable money."

I might also add to the above that the patents expiring because of failure to maintain, the so-called "deadwood", could not be removed from the Patent Office files because such patents are essential in determining whether novelty exists in subsequently submitted ideas on which it is desired to obtain patent protection.

Accordingly, I respectfully request that you, as well as the other members of the Senate Judiciary Committee, carefully weigh the consequences that might be experienced by our patent system if legislation such as that proposed is passed.

Yours very truly,

ARTHUR MCILROY.

PATENT OFFICE PROFESSIONAL ASSOCIATION,
March 10, 1964.

Hon. JOHN L. MCCLELLAN,
Chairman, Senate Subcommittee on Patents, Trademarks, and Copyrights, Old Senate Office Building, Washington, D.C.

DEAR SENATOR MCCLELLAN: Pursuant to a conversation with Mr. Stephan Haaser of your staff, this letter is to confirm a request that the statement of Mr. Jacques M. Dulin be inserted in the record of hearings on H.R. 8190 and S. 2547, Patent Office fee bills. The hearings were held before the Senate Subcommittee on Patents, Trademarks, and Copyrights on February 26 through February 28, 1964.

Mr. Dulin represents the Patent Office Professional Association in his capacity as chairman of the association's legislation committee. The association is an employee organization having formal recognition under Executive Order 10988 and currently represents 35 percent of the 1,046-man examining staff of the Patent Office. The Patent Office Professional Association strongly supports a fee increase and prefers H.R. 8190 to S. 2547 for reasons set forth in the statement.

We thank you for the opportunity to make our views of record in these hearings.

Sincerely yours,

Mr. JACQUES M. DULIN,
Chairman, Legislation Committee.

STATEMENT OF MR. JACQUES M. DULIN, ON BEHALF OF THE PATENT OFFICE PROFESSIONAL ASSOCIATION, RELATING TO H.R. 8190 AND S. 2547

Mr. Chairman and members of the subcommittee, the Patent Office Professional Association is an employee organization having formal recognition under Executive Order 10988. It is composed exclusively of Patent Office personnel having scientific backgrounds and who are employed in the Patent Office primarily as patent examiners. The association currently represents 35 percent of this 1,050-man examining staff.

My remarks are directed to support of a fee increase bill, and more particularly in preference of H.R. 8190 over S. 2547.

The patent system is an equilibrium of many factors. The "backlog," of which each examiner is acutely aware, is the index of the balance between the principal factors of (1) the increasing number and complexity of applications filed annually, (2) an increasing number of technical publications (including patents) both foreign and domestic, which must be reviewed in each search, and (3) the decreasing size of the examining staff (which in fiscal year 1963 experienced a net loss of over 30 men in the "normal" 20-percent turnover).

How will the provisions of H.R. 8190 and S. 2547 affect the patent system equilibrium? There are three groups of provisions of greatest effect. They are—

1. Instituting fees for—
   (*a*) Independent claims in excess of one,
   (*b*) Claims in excess of 10, and
   (*c*) Printing of patents, and
2. Increasing fees for taking an appeal to the Board of Appeals, and
3. The institution of a maintenance fee program.

The first two are peculiarly within the day-to-day experience of the examiner, and the third is concededly open to general comment by all affected groups.

First: The increase in fees for independent claims in excess of one will encourage the filing of claims in dependent form (in sec. 41(a)1). In a dependent claim, modifications of the invention are set forth without rewriting the entire original claim.

Examples of independent claims contrasted with dependent claims will be found in the hearings on H.R. 10966, figure 18, page 79. A glance at figure 18 shows the simplicity of the dependent form which affords a typical timesaving of about 47 percent in the claims analysis phase of examination; see figure 17 therein at page 78. We know of no real objection to this provision; as experts we strongly recommend it. Since S. 2547 does not contain this provision, it cannot be recommended.

We find beneficial the provision instituting fees for claims in excess of 10 submitted upon filing (in sec. 41(a)1). This provision is aimed at eliminating prolixity and acts as an incentive to submit only necessary claims. We look forward to the day when the rejection of claims as being unduly multiplied, thereby confusing and obscuring the invention, will be a thing of the past. The absence of such formal improprieties would enable the examiner to consider the merits of the case sooner. Both bills provide for such a fee; we do not express a preference for the $5 fee of S. 2547 as against the $2 fee of H.R. 8190 since the latter seems adequate. We do, however, recommend the provision of S. 2547 calling for the fee whenever the claims exceed 10 during the prosecution. This is embodied in the phrase "or pending and under consideration at any other time during prosecution." This would prevent a practice of adding claims in excess of 10 after filing but before first action, in an effort to avoid the fee.

Tending to the same effect is the provision in H.R. 8190 providing for printing fees (in sec. 41(a)2). The purpose of this provision is to provide a relationship between the fees and the complexity and size of applications, in terms of examination and printing costs. It should be pointed out that one printed page of a patent specification encompasses about five pages of the application as filed, typewritten on legal-size paper. With that margin there will be little tendency to discourage the adequate disclosure required by the statute.

Regarding size and complexity as contrasted to fees, note that the average patent cost about $63 to print in 1962, as against $19 in 1940; see H.R. 10966 hearings, page 45. Contrast this with the present filing and issue fees of $60.

Further, as evidence that the number of claims is only very roughly related to the size and complexity, see figure 21, page 82, and table 32, page 110 of the H.R. 10966 hearings. In order to peg a size and complexity fee to the number of claims as S. 2547 attempts, we would need to find that the ratio, number of pages to number of claims, was relatively uniform for the large as well as the small cases. But note that under S. 2547 the 4 largest cases of the H.R. 10966 study (fig. 21, table 32) would be assessed a total of $140 for claims in excess of 10, yet these cases total 2,586 pages of specification and 1,008 pages of drawings to examine. Clearly the number of patented claims has little relation to the examination complexity of an application, and thus the provision of S. 2547 is inadequate. While size does not purport to be a true index of complexity, it is a closer and more realistic index. Thus we strongly support the printing fee provision of H.R. 8190 as being more realistic in terms of examination cost than the excess claim fee provision of S. 2547.

Second: The increase in fees for taking an appeal to the Board of Appeals will aid in returning a greater percentage of the true cost of such procedure. More important, it will encourage the applicant to resolve the issues in the case at an earlier date. Applicants commonly submit amendments after final rejection with an eye to persuading the examiner to allow the case under the pressure of an imminent, exceedingly time consuming appeal. This is not persuasion on the merits. It is a powerful tool in the hands of the applicant only because of the great workload on the examiner. This practice works to the detriment of the quality of the patent system since far from borderline cases commonly are allowed to issue as patents as a result of the leverage of such pressure.

Traditionally in law, an appeal is properly set above the trial level in terms of cost so as to encourage the appellant to reconsider the merits of his cause. As it is now, it does not "pay" the examiner, in view of his workload, to let the case go to appeal. The recent more strict application of rule 116 does not restore the balance, since the present "quota system," prompted primarily by the backlog and the budget, relates promotion to numbers of disposed cases rather than quality of the examination. An appeal does not become a disposal for at least 1½ years. This provision would apply something of an equalizer, and ultimately result in a stronger presumption of validity of patents. Insofar as the size of the increase is concerned, the two bills amount to the same thing. Unless there will be an additional cost to the Office in making refunds under H.R. 8190, we would prefer the initial higher "ante" of that bill. We express strong approval of the increase, and the amount, but would leave the mode of collection to accounting experts.

Third: We have threaded our way through the smoke to the fire, the maintenance fee provision of H.R. 8190. The $300 fee of H.R. 8190 is a watering down of the $600 fee called for in H.R. 10966; S. 2547 would omit it entirely. Contrastingly, the bills following H.R. 10966 have progressively raised the processing fees. We strongly oppose elimination of the maintenance fee while raising the processing fees. We urge a dedication to the principle of reasonable processing fees, so as not to discourage the individual inventor, coupled with geared-to-success maintenance fees, which will enable the patent system to more nearly pay its way.

The present system and S. 2547 call for 100 percent of the fees from processing the application. As these fees increase they raise an increasing bar to the right of the individual inventor to apply. The proper principle would be to keep the right to obtain a patent relatively available to all through reasonable processing fees, while allowing the system to survive by assessing those patents only which bear fruit for their owners. This can be done fairly through maintenance fees which are geared to the success of the invention as patented. This is carefully provided for in H.R. 8190 by the fee waiver provision of section 155(f), applicable in cases where no economic benefits accrue. No fees would be due on present patents; no return from such provision as applied to future patents will benefit the patent system for over 5 years. It is false to say that maintenance fees are an undue burden on multipatent owners since the fee is geared only to the successful patent. The collective view is false by lumping the nonproductive with the fruitful. The maintenance fee provision looks to each individual patent in terms of its own value; where successful, $300 is reasonable. Further, forfeiture of protection, which is possible only after 13 years, would serve to free to the public the nonproductive, or "loitering" patents.

That segment of the system, individually successful patents, should preserve the right of all to apply as an economic reality.

We are gratified to note that all groups recognize the need to increase the present 1932 level fees to a level in keeping with present-day economic reality. The fees are so ridiculously low today that many applicants do not bother to review the art before applying; after all, where can you get cheaper service than by letting the examiner do it? As long as the Office cannot pay its way because of inadequate fees, the economic burden of securing a monopoly right to the few—the patent owner—eventually rests on the many—the taxpayers.

The House bill (1) establishes reasonable processing fees related to the complexity of the examination, yet is not a bar to individual inventors, and (2) will enable the patent system to survive as an examination system by more closely achieving the goal of paying its way through a system of maintenance fees geared to the success of individual patents. S. 2547, being defective in these respects, should not be favorably reported. We strongly urge a favorable report on H.R. 8190.

(Mr. Phillips was a scheduled witness but was unable to appear. By order of the chairman his statement appears as follows:)

STATEMENT OF RICHARD S. PHILLIPS RE H.R. 8190

I am Richard S. Phillips, a partner in the firm of Hofgren, Wegner, Allen, Stellman & McCord, of Chicago, Ill. I have been in the practice of patent law with that firm for over 12 years. Our practice is primarily in the patent and allied fields. Our clients include many medium- and small-size companies and a substantial proportion of individual inventors.

I am appearing as a representative of the Chicago Bar Association. I am vice chairman of the committee on patents, trademarks, and trade practices of that association. I have delivered copies of a report adopted by the Chicago Bar Association regarding various fee bills, to the committee council. I would like to summarize the salient points of the report.

We are opposed to certain aspects of H.R. 8190. Our principal concern is with the philosophy that the Patent Office operation should recover a particular portion of its operating budget, as two-thirds or three-quarters or one-half. It is not in the best interests of the patent system to place this burden on inventors or their employers who support the research which produces the invention.

Where a Government agency performs services which are primarily for the benefit of the one requesting the service, we believe the fee charge should recover the reasonable cost of the service. For example, in the Patent Office operation, the fee charged for such services as the recording of assignments, or the preparation of copies or certified copies of official records, should recover the cost of performing that service.

The major cost factor in the Patent Office is in the examining operation. To say that this operation is carried on principally for the benefit of the inventor is, in our opinion, a misconception of the purpose and operation of the patent system. The patent system in itself is probably not a great factor in the making of inventions. Inventions are made when problems are solved. The patent system, by offering a limited right of exclusivity, encourages the disclosure and commercial utilization of inventions, bringing their benefit to the public.

The Patent Office receives from the inventors disclosures detailing work that often requires a substantial investment. Upon the grant of a patent, this information is freely disseminated for all to use, so long as they avoid infringement of the patent claims. Even then the information in the patent may be used as a basis for further research and development by others, without fear of infringement. Many people and organizations use the patent records as a primary source of technical information. The value of the patent disclosures is apparent also from the fact that a public library may secure copies of all the patents issued in a year, for the nominal charge of $50. In view of the public benefit and interest from the patent disclosures, every effort should be made to encourage the filing of patent applications, not to discourage it. The proposed filing, issue, and maintenance fees will, in our opinion, tend to reduce the number of applications filed and to cause inventors to maintain their developments secret. This is completely at odds with the basic principal of the patent system.

We believe some of the specific fee provisions are either undesirable or unwieldy in operation. The surcharge of $10 for each independent claim in excess of one will present an undesired economic consideration in the drafting of claims. We feel that the refund provisions with regard to the appeal fee will result in excessive bookkeeping. We suggest that, if a differential is appropriate for appeals in which there is no hearing, the additional fee be paid at the time the oral hearing is requested. The fee for recording assignments should be based on the cost of performing the service; and should not be a tax on the transfer.

The issue fee provisions are unduly complex. The entire fee which is to be required should be paid prior to issuance.

CHICAGO BAR ASSOCIATION COMMITTEE ON PATENTS, TRADEMARKS, AND TRADE PRACTICES, REPORT ON H.R. 8190, H.R. 4820, AND H.R. 8043

This report refers particularly to H.R. 8190, introduced by Mr. Willis on August 21, 1963, but will also refer to H.R. 8420, introduced by Mr. Laird on September 12, 1963, and H.R. 8043, introduced by Mr. Belcher on August 14, 1963. H.R. 8190 is a redraft of the earlier Willis bill, H.R. 7370, which in turn

was a revision of H.R. 10966 considered by the House of Representatives in the 87th Congress. The predecessor bill, H.R. 10966, was favorably reported out of the Committee on the Judiciary, but did not reach the floor for consideration.

H.R. 8190 calls for increases in the fees charged by the Patent Office for the filing and issuance of patent applications and for several of the other services and functions of the Office. In addition, the bill creates a new burden for inventors and companies who carry on research. It introduces a completely foreign procedure into our patent system in the payment of graduated maintenance fees on issued patents.

We are opposed to H.R. 8190, as we were opposed to its predecessor, H.R. 10966, because we believe that some of the fee increases proposed are unwarranted and because we believe that maintenance fees are not in the public interest.

In line with our previous report, we would not oppose a reasonable increase in the general Patent Office fees.

The fees for filing of applications and issuance of patents have been unchanged since 1932. At the time of the adoption of the present fee schedule, fees accounted for a substantial portion of the budget of the Patent Office and the filing and issue fees contributed to the major share of the revenue. At the present time, fees represent about one-third the cost of the Patent Office operation.

The Bureau of the Budget, under a program started in 1946 and continued through the Eisenhower administration, has been striving to establish fees for special services rendered to individuals which are commensurate with the cost of furnishing the service. Bills seeking to raise the Patent Office fees have been introduced before several sessions of Congress but have not met wtih success.

It is the feeling of this committee that the charge for special services, primarily for the benefit of the one requesting the service, should be such that the reasonable cost of the service is recovered. This applies, for example, to such matters as recording assignments, provision of certified copies of documents and the like.

The principal expense in the operation of the Patent Office is in the processing and examination of patent applications although there are functions of the Patent Office for which no fee is charged, as the public search room. Strict and thorough examination is fundamental to the U.S. patent system. This examination seeks to insure to the inventor the protection to which he is entitled while preserving all rights which belong to the public. Without the examination procedure our patent system could not have made its great contribution to our national economy. While a patent grant provides some measure of private benefit, a substantial benefit is also conferred on the public. The inventor makes a full disclosure of his invention which may be used immediately by others in further research and development, and, after the limited term of the patent, may freely be used by all.

It is the position of the committee that the fees charged a patentee should not be equated with the cost of the examining operation of the Patent Office. The benefit of the examining operation and of the patent itself are not derived solely by the inventor or patentee, but accrue in part to the public at large.

We are opposed to the concept that the Patent Office fees should provide some specific percentage of the entire cost of operation of the Office, and in particular we are opposed to the proposition that fees should equal 75 percent of the Patent Office budget, as we understand is advocated by the proponents of the present bill. We believe that the imposition of increased fees in the amounts called for by this bill will reduce the incentive to file patent applications and to issue allowed applications as patents, thereby depriving the public of technical information that is often developed at high cost.

Consider, for example, a manufacturing process which is not identifiable from the finished product. There is little incentive for patenting such processes now, and the additional tribute required by these fees will certainly cause more of them to be kept secret. This is true also of products that are not planned for immediate production. The increase in the number and type of matters which are kept secret, and the resulting decrease in technical information available to future workers, will hamper the scientific progress of our national economy.

If an invention enjoys commercial success, the user of the invention presumably makes profits which are subject to income tax. In this manner suc-

cessful inventions contribute substantially to Federal revenue. A further contribution by way of greatly increased fees on patents themselves is unwarranted.

The bill's provision for periodic patent maintenance fees, similar to the taxes levied on patents by many foreign countries, is objectionable. The graduated fee schedule calls for payment of $100 at the expiration of the 5th year of the patent, $200 at the expiration of the 9th year, and $300 at the expiration of the 13th year. If the fees are not paid when due, the patent terminates. The bill includes provisions for deferral of fees in the case of an individual inventor who has not obtained from the patent an amount equal to the fee due, and a procedure for late payment of fees.

In addition to our general objection to the high fees proposed by this bill, the maintenance fee proposals, with their arrangement for late payment, introduce many complications, both of recordkeeping by patentee and the Patent Office and on the part of attorneys who are analyzing patent infringement questions. In considering a patent infringement question, not only will it be necessary to study the patents, but to check the records of the Patent Office to see if the maintenance fees have been paid. Even if the fee date has passed without the fee having been paid, the patent cannot be eliminated from consideration, as the fee may be accepted for payment at a later date.

We have several objections to the other fees proposed by the present bill. With regard to the filing fee, the $10 surcharge for each independent claim in excess of one is objectionable. We feel that this is an effort to force by economic means a change in patent practice which many feel is not in the best interests of their clients. Until both the patent examiners and the Federal courts consider dependent claims as they should be considered, independently of the parent claim, and not to be a mere appendage, the decision regarding use of dependent claims should be left to the attorney. In this respect, H.R. 8420 also includes a fee of $5 for each claim in dependent form in excess of five such claims and, consequently, we are also opposed to the Laird bill, H.R. 8420, for the foregoing reasons.

We recognize that the cost of patent examination cannot be analyzed and assessed for each application, and that any schedule of special fees for special services will be a compromise between administrative practicality and actual costs. For example, the limiting of the applicant to one independent claim, except upon payment of an additional fee per added claim, results in added fees which are, we believe, grossly disproportional to the examining and processing time involved. Whatever the saving of time represented in examining claims of dependent form, the fact remains that the variety of language and syntax permitted with a reasonably limited number of claims of independent form is more likely to produce earlier clarification of the issues and final action by the Patent Office.

H.R. 8190 also provides for an issue fee based on the number of pages of a patent, a part of which may be paid after the patent has actually been granted. We are not in favor of the graduated printing charge as it places the extra burden on an inventor who makes a more complex invention. Furthermore, if a final fee of this character is deemed necessary, it should all be paid before the patent is granted, so that it will not be necessary to check additional records to determine whether the patent is enforceable or has lapsed for failure to pay the necessary fee. Furthermore, if a page fee is found to be necessary, it would be more practical to limit it to the larger application, so that each and every application which is granted would not have to be checked for length and proper fee payment. For example, the basic issue fee could cover three sheets of drawings and four pages of specification and claims, with larger cases requiring additional fees.

The proposed appeal fee procedure by which $100 is paid and refunds of $50 and $25 may be made under certain circumstances is deemed to be too complex for efficient use. We would not object to a higher fee for appeals in which oral argument is requested. However, we believe that election should be made at the time the appeal is filed and the appropriate fee paid at that time, thereby eliminating any need for refunds.

H.R. 8190 proposes a charge of $20 for recording an assignment of patent, patent application, or trademark. It is our feeling that in most cases this amount

is excessive. A recordal fee should not be greater than the cost of the work involved in effecting the recordation. Furthermore, the language of the proposed statute is unclear with regard to the fee which would be charged for recording an assignment that relates to more than one application, patent, or trademark registration. If it is intended that recordal of a single document assigning more than one item should require a fee of $20 for each item, we believe the charge is unconscionable.

H.R. 8043, introduced by Mr. Belcher, does not attempt to effect procedural changes in the Patent Office by economic forces, as in the case of the Willis bill, H.R. 8190, and, therefore, is more in accord with the views of this committee. The Belcher bill is directed simply to an increase in existing patent and trademark fees, and it is believed that the increases stated in this bill are generally reasonable and still effective to produce a substantial increase in the amount of revenue which would be paid into the Patent Office.

It is also noted that the Willis bill, H.R. 8190, includes language in section 9, relating to the furnishing of copies of patents, which is objectionable. This section provides for certain charges for copies of patents as available and if in print. This language could be relied on to relieve the Patent Office of its present requirement to have printed copies available for the public and makes it possible for the Commissioner to establish a system wherein only photostatic copies of patents are available at the present rate of 25 cents per page. If such a system were established, it would considerably lengthen the time required to obtain copies of patents and also very substantially increase the cost of such copies.

STATEMENT OF CHARLES A. PRUDELL, PRESIDENT, MILWAUKEE PATENT LAW ASSOCIATION

The debate in the House, on H.R. 8190, the Patent Office fee bill, centered mainly on the maintenance fee provision and indicated a basic misconception as to the effect of the maintenance fees on Patent Office operation. For example, on five separate occasions proponents of the bill argued that maintenance fees were desirable because they would weed out the deadwood in the Patent Office and thus make it easier for the Patent Office to search new applications because the Patent Office would not have to make an infringement search through the claims of lapsed patents on which the maintenance fees have not been paid. In a similar vein one of the members [1] of the House Committee which considered the bill commented that: "The maintenance fees correspond closely to Patent Office costs in years after the patent is granted. We had ample testimony in the hearings, demonstrating the administrative expense of searching through old patents in the process of evaluating newer ones."

The truth, of course, is that the Patent Office does not do any infringement searching. This type of search involves a determination of whether a product infringes an existing patent and is done solely by private individuals. The Patent Office searches through old patents for the sole purpose of determining if a device for which a patent application is filed, is in fact novel. This novelty search by the Patent Office includes not only U.S. patents still in force, but all expired U.S. patents, foreign patents, and any available publications. Thus, the cost to the Patent Office in searching through old patents would be the same whether or not the maintenance fees have been paid. On the other hand, the maintenance fees will add to Patent Office costs because the Patent Office will be charged with the administration of the maintenance fee system.

According to most estimates, elimination of the maintenance fee provision would require that an additional $20 [2] be added to the filing and final fees provided in the House bill. Comparing these $40 additional fees to the proposed $300 maintenance fee would seem to take some of the appeal out of the proponents' arguments that the maintenance fees allow the inventor to postpone some of his patent costs till he has an opportunity to determine whether his invention will be a commercial success.

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[1] Kastenmeier (Democrat, Wisconsin).

[2] Based on an estimated income of $2,870,000 from maintenance fees and 85,000 applications filed and 54,000 patents issued during 1963.

THE ROCHESTER PATENT LAW ASSOCIATION,
Rochester, N.Y., February 26, 1964.

Senator JOHN R. MCCLELLAN,
Chairman, Senate Judiciary Subcommittee on Patents, Trademarks, and Copyrights, Senate Office Building, Washington, D.C.

DEAR SIR: The Rochester Patent Law Association has conducted a poll of its membership on the Patent Office fee bill now under consideration by your subcommittee (H.R. 8190, Willis). I am enclosing the questionnaires received from our members in the poll. More than one-third of the approximately 110 members have answered the questionnaires sent to them.

A summary of the poll is as follows:

(*a*) The members who voted were overwhelmingly in favor of amending at least some provisions of H.R. 8190. Only three approved of the bill without amendment.

(*b*) A heavy majority of those voting disapproved of and would favor amendment of:

(1) Fee of $10 for each independent claim above one.
(2) Fee of $10 for each printed page of specifications.
(3) Maintenance fees.
(4) Fee of $100 for oral hearing on appeals.

(*c*) A heavy majority of those voting approved of the following provisions:

(1) Filing fee of $50.
(2) Final fee of $75.
(3) Fee of $2 for each sheet of drawing.
(4) Appeal fee of $50.

On the other provisions of the bill opinions were rather evenly divided for approval or disapproval.

I hope that this expression of views by members of the patent profession in Rochester, N.Y., including lawyers and patent agents of corporation patent departments and patent lawyers in private practice, will be useful to your subcommittee. I would particularly recommend to your consideration the "remarks" made on a number of the enclosed questionnaires. These offer reasons for objections to specific features of the fee bill and suggest other ways of increasing Patent Office revenue without lessening the value of the patent system as an incentive to the making of, investment in and public disclosure of valuable inventions.

Yours very truly,

J. ALLEN JONES, *President.*

THE ROCHESTER PATENT LAW ASSOCIATION,
Rochester, N.Y., March 19, 1964.

Senator JOHN R. MCCLELLAN,
Chairman, Senate Judiciary Subcommittee on Patents, Trademarks, and Copyrights, Senate Office Building, Washington, D.C.

DEAR SENATOR MCCLELLAN: We have recently sent you the results of a poll of our members on the Patent Office fee bill—Willis, H.R. 8190. Most of the members favored some increase in Patent Office fees but opposed many features of the Willis bill, especially the maintainence fees, the excessive fees for independent claims, and the fees for each page of printed specification.

Our board of managers submits that the Dodd bill, S. 2547, would be an improvement over the Willis bill, particularly if certain of its provisions can be modified. The Dodd bill is an improvement in eliminating the maintanence fees and in allowing ten claims without extra charge. Also its appeal fees are more reasonable, although we still see no reason for charging any extra fee for an oral hearing of appeals. A patent applicant should not be coerced by additional expense into accepting an inferior remedy. We have seen no evidence that the 30-minute hearing causes the Patent Office any substantially higher cost than no hearing.

Another desirable change in the Dodd bill would be reduction or elimination of the $100 fee for interference briefs. This will make it quite expensive for a party to contest an interference vigorously if he must pay $100 fee for each brief.

We also believe that if the filing and final fees are to be unequal, the filing fee should be the smaller. It is in the public interest to encourage inventors to

file patent applications. To this end the filing fee should be reasonably low, and only high enough to discourage frivolous applications.

Inclusion of these views in the report of your subcommittee on the Patent Office fee bill hearings will be appreciated.

J. ALLEN JONES, *President.*

SEATTLE PATENT LAW ASSOCIATION,
February 26, 1964.

Subject: U.S. Patent Office fee bill.
Reference: H.R. 8190, Willis bill.

Senator JOHN R. MCCLELLAN,
Chairman, Senate Judiciary Subcommittee on Patents, Trademarks, and Copyrights, U.S. Senate, Washington, D.C.

DEAR SIR: The members of the Seattle Patent Law Association have received the information that H.R. 8190 was passed by the House of Representatives and has been referred to your committee. We understand that the present bill is essentially the same as H.R. 7370 except that section 151 "Issue of patent" was changed to avoid quick automatic issuance of a patent upon an allowance." This change is approved. We also note errors in the payment of so-called additional fees can be overcome if promptly attended to after notice is given. This change we also certainly endorose.

These two changes reflect the serious consideration being given to the proposed legislation, H. R. 8190, which, if passed, will extensively change the practice of patent law and the rights of all interested parties. Some of these changes are obvious and many other remain obscure because these will be indirect. Therefore, this association has taken this opportunity to state its views on the various provisions of H.R. 8190 as follows:

MAINTENANCE FEES

We oppose any provision for maintenance fees for the following reasons:

(1) Firstly, the anticipated lapse of many patents for failure to pay the maintenance fee will pro rata reduce the incentives of the patent system as a stimulus to competitive effort in research and development. As reported by the Patent Office, maintenance fee provisions now in force in various countries foreign to the United States have resulted in the premature lapsing of more than half of the patents which would otherwise be in force in these countries. Anticipated similar premature lapsing of patents in the United States under the proposed maintenance fee provisions will substantially reduce the present stimulus of the patent system to competitive effort in research and development in the United States.

(2) As demonstrated by experience with maintenance fees systems in foreign countries, the expense and administrative burden on patent owners and the Patent Office of keeping track of and attending to the payment of maintenance fees may very well exceed the revenue derived therefrom by the Patent Office.

(3) There will inevitably be an area of uncertainty as to what patents are in force and what patents have lapsed. This will further increase costs to the public greatly outweighing the revenue benefits to the Patent Office.

(4) Maintenance fees will shift a disproportionate share of the burden of operating the Patent Office to successful inventors who make a real contribution to the economy and will correspondingly reduce the burden on unsuccessful inventors who do not make an equal contribution to the economy.

(5) Contrary to popular conception, failure to pay maintenance fees will not remove any patents from the Patent Office search facilities, and thus will not reduce the workload of the examiners one iota. It will merely reduce the infringement potential which is no concern of the Patent Office.

(6) Prompt and adequate notice by the Patent Office to patentees of maintenance fee arrears and notice to public of payment or nonpayment will be costly.

TIME EXTENSIONS

If maintenance fees are to become a part of our patent system, then we disapprove of any extension by affidavit to avoid retention of "infringement deadwood." There should be no discrimination among patentees.

APPLICATION FEES

The proposed bill (H.R. 8190) works substantive changes in the patent law under the guise of a revenue measure. One of the main purposes of these proposals, as stated by former Commissioner Ladd, is to "reform" Patent Office practice and simplify Patent Office operations. We believe that any attempt to "reform" Patent Office operation should be treated on its own merits and independently of any revenue measure. Highly questioned "reform" measures incorporated in the bills are—

(1) The heavily weighted bias in favor of dependent claims and against independent claims by reason of the sharply increased fees payable where independent claims are made.

(2) The penalizing of very full disclosure made in accordance with the stated requirements of the patent law by the filing of a comprehensive patent application through the imposing of very sharply increased burdensome printing fees based upon the length of the patent specification and the number of drawings.

RECORDING FEES

The proposed recording fee of $20, an increase of $17 over the present fee, is considered an excessive increase. Recording of assignments is legally necessary to protect the bona fide purchaser and, therefore, the assignee constitutes a captive market for this type of revenue. At the time of the assignment, the value of an invention may still be uncertain. Therefore, the alleged justification of this recording fee increase based on a substantial economic value of the invention being assigned is based on a false premise.

More often than not the investment of the assignee in the development of the invention and the legal services for its patenting occur during a period of economic uncertainty as to the future of the invention. Assignee should be entitled to record his assignment and protect this investment at a nominal fee.

Another penalty deriving from excessive recording fees arises when the assignee of several patents for business reasons changes its name or receives an assignment of a large number of patents through purchase, merger, or inheritance.

PATENT LAW PRACTICE INDIRECT COST INCREASES

The bill (H.R. 8190) has been thoroughly considered from the standpoint of the Patent Office.

From the standpoint of the attorney and client, variable fees such as the "per claim" fees and the "per page of specifications and drawings" fees, are not feasible. It should be considered—

(1) That under such a fee system it will be impossible for an attorney to accurately estimate the cost of preparing, filing, and prosecuting a patent application to the satisfaction of his client.

(2) The time required and the bookkeeping costs involved in determining the costs of an application will result in higher overhead costs which must be passed on to the client.

(3) The high initial fees resulting from a combination of the increased filing fee and the per claim fees at the time of filing and thereafter will place an unwarranted burden on the inventor and will tend to encourage him to resort to the "secret process" route, rather than the patent route. This is contrary to the intent of the patent laws and contrary to the public interest.

REVENUE INCREASES

As indicated above, we suggest that revenue increases be obtained through fixed fees applied to the various steps in the prosecution of an application with minimum consideration of variable factors such as number of claims and pages of specification and drawings.

To replace the fee revenue eliminated by making the changes herein proposed, we suggest—

(1) A fee for each party to an interference payable at filing of preliminary statement: Suggested fee, $50.

(2) A fee at filing of each amendment: Suggested fee, $10.

(3) A fee for all petitions to Commissioner including the ones enumerated in H.R. 8190: Suggested fee, $15.

(4) A fee for examiner interviews (defined as "hearings" on the merits requested by applicant): Suggested fee, $10.

(5) A fee for public use proceeding payable by initiating party if other than Patent Office: Suggested fee, $50.

(6) Raise basic charge for printed patent soft copies to 50 cents, and design and trademark printed soft copies to 20 cents.

(7) A fee for each claim over 10 of any type, unless it is a substitute for an existing claim: Suggested fee, $2.

(8) A reasonable assignment recording fee: Suggested fee, $5.

In summary, the Seattle Patent Law Association—

1. Opposes:
   (*a*) Maintenance fees.
   (*b*) Independent claim charges.
   (*c*) Per page and per sheet of drawings charges.
   (*d*) Excessive recording fees.
2. Recommends: Fixed fee and charges for interferences, amendments, petitions, interviews, public use proceedings, number of claims over 10, a reasonable recording fee for assignments, and an increase in charge for printed copies in the amounts suggested above.

We should appreciate it if these views are entered in the record of the committee's deliberations on the bill H.R. 8190. It is our understanding that the record will be kept open for 10 days after the public hearing now set for 10 a.m., February 27, 1964.

Respectfully submitted.

LESLIE G. NOLLER, *President.*

SEATTLE PATENT LAW ASSOCIATION,
March 4, 1964.

Subject: U.S. Patent Office fee bill.
Reference: H.R. 8190, Willis bill, and S. 2547, Dodd bill.

Senator JOHN R. MCCLELLAN,
Chairman, Senate Judiciary Subcommittee on Patents, Trademarks, and Copyrights, U.S. Senate, Washington, D.C.

DEAR SIR: Please refer to our letter of February 26, 1964, in which the Seattle Patent Law Association discussed at length the Willis bill and made certain suggestions for its modification. Since writing this letter we have been advised of the introduction of Senator Dodd's alternative fee bill, S. 2547, and have been informed that statements would be received and entered in the record through March 6. We offer the following as supplement to our letter of February 26, 1964, in view of the changes indicated by the alternative Dodd bill and request that these remarks be entered in the record.

A comparison of the Patent Office fees proposed by the Dodd bill with those suggested on page 6 of the Seattle Patent Law Association's letter of February 26, 1964, indicates that we are in close agreement with Senator Dodd. We, therefore, would approve the passage of the Dodd bill as a substitute for the controversial Willis bill, H.R. 8190, but we wish to point out one or two items in the Dodd bill which we feel could well be considered for improvement:

(1) The Dodd bill suggests a "patent copies subclass subscription" fee of $100 as compared with $50 in the Willis bill. We feel that both of these proposals are impractical. It is not unusual for a subscriber to this service to subscribe to 500 or more subclasses. Such a subscriber under the Dodd bill would pay upward of $50,000 per year for this service and $25,000 under the Willis bill. Under the present rates for this subscription, such a subscriber would pay $12. The last mentioned figure may be below cost to the Patent Office for the service rendered. If it is, then the subscription rate should be adjusted, but certainly not to either of the figures proposed by the Dodd or Willis bills, since a subscriber could substitute a part-time clerk on his own staff who would spend 1 or 2 days at the most per week thumbing through the Official Gazette to pick out the patents issued in his subclasses of interest and order the thus-issued patents at a total annual cost of $600 to $1,000. Thus, under the proposal of the Dodd bill of $100 per subclass, any subscriber ordering more than 6 to 10 subclasses would be immediately priced out of the market and no revenue at all would be derived by the Patent Office from subscribers over this ridiculously low limit.

It is, therefore, our recommendation that the patent copies subclass subscription fee be completely eliminated from both the Dodd and Willis bills and that this fee be left in the nonstatutory class subject to the Commissioner's discretion

where it appears at the present time under rule 21, Rules of Practice of the U.S. Patent Office.

(2) We agree in principle with the interference fees proposed in the Dodd bill. However, we should like to refer back to the suggestion of a $50 fee, payable by each party at the filing of their respective preliminary statements, as made in our letter of February 26, 1964, in lieu of the $50 fee for motions proposed by the Dodd bill. We should also like to suggest that the fee of $100 for original briefs proposed in the Dodd bill be reduced to $50.

This would make a total fee of $100 per party for any interference which went through the consideration of briefs at final hearing. It is our feeling that although some fee should attach to interferences, the fees should be kept at a minimum for the reason that an interference proceeding is an involuntary proceeding and it is an expense that is often intolerable to an individual inventor. Anything that the Government can do, therefore, to keep the cost of any interference down is in the best interests of all parties, including the public.

(3) Trademarks. Under trademarks, the Dodd bill has proposed a filing fee both for original and renewal applications of $60 and a final fee of $25. We feel that these fees are excessive and that they would operate to create conditions which are not in the best interests of the public. For instance, small business concerns would hesitate to pay a registration fee totaling $85 for a trademark but this would not prevent the same small business concern from using the trademark. Hence, the benefit both to him and the public derived from registration would be lost since when a trademark is registered in the U.S. Patent Office it is entered in a search facility where it can be found. If it is not registered, the chances of it getting into such a search facility are reduced considerably and, obviously, if it does not get into such a search facility, a newcomer might unknowingly use the same trademark and create the type of confusion in the trade which a registered trademark is intended to prevent. It is our recommendation that the total fees for trademark applications, whether applied entirely at the time of filing the aplication or split between filing and final fees, should be kept below $50, preferably in the $35 range proposed by the Willis bill.

In all other respects, as indicated, we approve the fee provisions of the Dodd bill as being preferable to the corresponding provisions of the Willis bill and, if it is the thought that additional revenue is desirable as a substitute for such revenue is desirable as a substitute for such revenue as may be subtracted from the Dodd bill by adoption of our foregoing recommendations for the modification of said bill, we again refer you to items numbered (2) and (4) on page 6 of our letter of February 26, 1964, which respectively are a $10 fee for each amendment filed in a patent application and a $10 fee for examiner interviews. We believe that these fees are equitable and would be far greater revenue producers than the "patent copies subclass subscription" fee of $100 and the excessive interference and trademark filing fees proposed in the Dodd bill. We solicit your consideration of these proposals.

Respectfully submitted.

LESLIE G. NOLLER, *President.*

ALHAMBRA, CALIF., *February 24, 1964.*

Re the Patent Office fee bill Senate counterpart of H.R. 8190.

Hon. JOHN L. MCCLELLAN,
Chairman, Committee on the Judiciary, Subcommittee on Patents, Trademarks, and Copyrights, Senate Office Building, Washington, D.C.

DEAR SENATOR MCCLELLAN: I write to you as both a professional engineer (California registration certificate No. E–4195) and as an individual inventor with several patents and patent applications in my name. I am an "idea" man—a small inventor, if you will, amongst other accomplishments.

The subject bill, passed by the House of Representatives on January 22, 1964, provides for very substantially increased filing and final fees in connection with patents and trademarks. It also provides for a schedule of "maintenance fees" for patents.

In my opinion, the proposed patent fees in this bill may prove to be disastrous to our patent system and the American concept of industrial progress in a free enterprise system. It would stifle the small inventor unreasonably while causing little or no ripple to the big concerns who can charge off patent costs taxwise. The small inventor can't charge off the costs until he interests

someone in his invention and this usually happens long after the patent has issued, if at all. On this I speak from experience.

The so-called maintenance fees embodied in this bill are particularly vicious, and unequivocably alien to our system, since as I stated just above, the small inventor has enough of a struggle just to get his invention commercially accepted before the patent expires. Many small inventors never reap benefits to the extent of even amortizing their costs. Yet each and every one of them has contributed "to the progress of the useful arts."

You don't believe me? Let me illustrate.

In the public search room of the Patent Office (and in many public libraries throughout the country) are copies of every issued and printed patent, filed numerically and by subject matter. These patents are consulted daily, not only by patent attorneys in the course of their profession, but also by engineers, technicians, scientists, and others who are looking for ideas. These patents, now numbering in excess of 3 million, constitute the greatest single body of technological data in the world.

An engineer of my acquaintance, after his first visit to the Patent Office public search room, expressed astonishment at (1) the wealth of technological data available just for the looking, and (2) the courteous helpfulness of the Patent Office employees there in the search room to help the public locate exactly what they are looking for.

Now, how did all those patents get there? Big companies? Of course, to some extent. Small inventors? Most assuredly to a large extent. Every single small inventor enriched the art, no matter how small his contribution. You have only to check your history of men like McCormick, Morse, Bell, Whitney, Goodyear, and thousands like them (who were not "company" men) to realize the enormous importance of inventors who were at one time "small" inventors. These are the men who should be uppermost in your mind when you come to consider any bill having to do with our patent system.

I repeat, in my opinion H.R. 8190 will stifle the small inventor. Consider this small "straw in the wind": over the past decade, the number of patent applications in Sweden has dropped by 29 percent. The Director General of the Swedish Patent and Registration Office, Ake von Zweigbergk, attributes this "partly" to raising the fee for filing a patent application from the U.S. dollar equivalent of about $10 to $50. (Source: Holger Lundbergh, Swedish Information Service, New York 21, N.Y.) It takes no stretch of imagination to comprehend that the "partly," which is couched in the usual conservative official fashion, can be more realistically replaced by "large extent."

The object lesson is not lost to us. If the mere increase of application fees from $10 to $50 does this, even if only in part, to as energetic and highly industrialized a country such as Sweden, think what such a drastic bill as H.R. 8190 might do to this country.

My feelings on this bill are so intense that I ask that this letter be included in the transcript of the hearing on the bill.

Respectfully yours,

ORVILLE R. SEIDNER.

BOSWORTH, SESSIONS, HERRSTROM & KNOWLES,
Cleveland, Ohio, February 25, 1964.

Hon. JOHN R. MCCLELLAN,
U.S. Senate,
Washington, D.C.

MY DEAR SENATOR MCCLELLAN: This letter is written in opposition to the Patent Office fee bill (H.R. 8190). I hope that the views expressed herein can be given consideration at the hearing on the bill to be held by your Subcommittee on Patents, Trademarks, and Copyrights.

First, a brief résumé of the background from which this letter is written. I am a partner in a medium-size patent law firm. We represent some individuals, but most of our work is done for small- and medium-size business organizations, having from a few to a few hundred employees. I have been engaged in the private practice of patent law for over 30 years. Most of my time is devoted to the filing and prosecution of applications for the United States and foreign patents, questions relating to the novelty of inventions and validity of patents, questions relating to the infringement of patents and work in connection with license agreements and othre contracts relating to industrial property in the United States and foreign countries. At present, I am president

of the Cleveland Patent Law Association, an organization having a membership made up of about 200 lawyers engaged in the practice of patent law in Cleveland and northeastern Ohio. While this letter is written in my individual capacity and not as president of the association, I am confident that the views expressed herein would be subscribed to by a great majority of the members of the association.

I am a firm believer in the U.S. patent system. My opinion, based on years of observation of the patent system as it has affected our clients, is that the patent system contributes in an important way to the economic growth of the United States. The patent system stimulates competition in ideas, engineering, and new products, rather than the price competition which occurs when several competitive enterprises make products that are basically the same. Faith in the patent system gives inventors and persons having venture capital to invest the courage to undertake the manufacture and sale of the new products because they hope that they will be able to market the new products for at least a few years without having them copied. This encourages the creation of new business enterprises, and the growth of established companies. Frequently, the possession of patents enables a new company to weather successfully what Charles F. Kettering called the "shirt-losing stage" and then continue on into the profitmaking stage and establish itself successfully in competition with older, better financed, and larger organizations.

My objection to the proposed Patent Office fee bill is that it would make it much more expensive to obtain patent protection. Furthermore, the amounts of the filing and final fees provided by the bill cannot be predicted with certainty. While the additional expense might not be important to large, well-established corporations, it would seriously handicap the individual inventor and the new and struggling enterprise. The bill thus would discourage the creation of new business enterprises and the investment of venture capital in new enterprises, which in turn would reduce the rate of creation of new employment opportunities in new businesses.

Although the fees charged by other Government bureaus seem to have little relation to the budgets of the bureaus, nevertheless, I would have no objection to increasing the filing and final fees as proposed by H.R. 8420.

The proposed bill would go far beyond this, however. Assuming an average patent application containing 11 independent claims, the filing fee would be $150. Eleven independent claims is not an excessive number to be presented in a patent application of not unusual size and complexity. Many times it is essential to present a good many more than 11 claims in the course of the prosecution of a patent application. This results from the manner in which the Patent Office acts on the claims originally presented and the increasing knowledge of the prior art that develops during the prosecution of the application. For reasons explained in part in an article by Louis Robertson appearing at page 88, volume 45, No. 12, of the Journal of the Patent Office Society, many patent lawyers properly hesitate to rely on dependent claims because dependent claims frequently are not received with sympathy by the courts. Also, dependent claims frequently are not sympathetically received by examiners in the Patent Office. If these two factors could be eliminated, then dependent claims probably would be highly desirable. However, a fee bill cannot eliminate the problems of substantive patent law and the frequently unfavorable reaction of the courts and patent examiners to dependent claims. There also would be difficulty in administration of the provision relating to the fee of $10 for each independent claim presented "at any other time."

As to the final fee, one of the important functions of the U.S. patent system is to provide a repository of scientific and technical information which is open to anyone. U.S. patents are unique in the completeness and clarity of their descriptions and drawings of the inventions to which they pertain. The final fee provision, which makes an extra charge for each page of specification as printed and for each sheet of drawings, would tend to reduce the effectivness of this function of the patent system. Again taking an ordinary patent, the final fee might well be $111, made up of the base $75 fee, $30 for three printed pages of specification and $6 for three sheets of drawings. Thus, the total fees for filing and issuing a patent might well be in excess of $250 as compared to $60 at the present time.

In addition, the proposed assignment recording fee would add $20 to the cost of an assigned application, whereas the present fee is $3 for recording an assign-

ment. The assignments of a number of patents, such as occurs in a merger or the sale of a business, might involve very burdensome fees.

Another controversial portion of the bill relates to the maintenance fees. Such fees are required in most countries except the United States and Canada. While called maintenance fees or renewal fees, they are, in fact, nothing more nor less than taxes.

Contrary to statements made in the House during the consideration of the fee bill, the maintenance fees will be of no advantage to the Patent Office except financial. There will be no "elimination of deadwood" that would simplify the examiner's job. The examiner must search all issued patents whether or not they have expired. He does not determine whether a patent application that he is examining discloses subject matter that would infringe an existing patent. The examiner's function is simply to determine the patentability of the invention disclosed in the application. Thus, the maintenance-fee provisions would not help the examiner. The administration of the maintenance-fee provisions, like the final-and-filing-fee provisions, would require additional clerical help in the Patent Office which probably would absorb a substantial portion of the fees received.

As to patentees, the provision of maintenance fees would be discouraging to inventors and entrepreneurs because they would know that substantial additional expense would be involved if they should desire to maintain their patents for their full terms. This again would not be a matter of very great moment to large, well-financed corporations; they would be quite likely to pay maintenance fees as a routine matter because it is very difficult to predict when a patent may become of value. On the other hand, the struggling enterprise would not only be discouraged from filing patent applications but would, in many instances, find it financially necessary to forgo the payment of maintenance fees and thus give up one of its weapons in its serious fight for existence against established companies.

To summarize, it is my opinion that:

(1) Patents are of particular value to new and relatively small enterprises. The bill would substantially increase the cost of obtaining and maintaining U.S. patents and introduce further uncertainties into the cost. While the increase in fees might not be a matter of great moment to large and well-established companies, it could seriously affect individual inventors and small and newly estalished enterprises. For these reasons, the bill would have an adverse effect on economic growth and the creation of new employment opportunities.

(2) The bill is wrong in attempting to use the fee schedule to influence the manner in which patent applications are prepared for submission to the Patent Office.

(3) The bill may have the effect of reducing the number of patent applications filed in the U.S. Patent Office. If this should be the case, the number of foreign patent applications filed by U.S. residents will also be reduced. This would in all probability reduce the royalty income received from foreign licensees by U.S. patentees.

(4) The bill would create additional administrative problems for the Patent Office. The maintenance fees would not simplify the work of the examiners. The increase and uncertainty of the filing and final fees might reduce the number of trivial patent applications that are filed, but about the same result could be obtained by simply increasing the present filing and final fees.

For the foregoing reasons, I strongly urge that the bill be disapproved by your committee.

Yours very truly,

WM. CRIGHTON SESSIONS.

PATENT SECTION, THE BAR ASSOCIATION OF ST. LOUIS,
St. Louis, Mo., February 27, 1964.

Subject: Patent Office fee bill.

Senator JOHN L. MCCLELLAN,
Senate Judiciary Committee, Washington, D.C.

DEAR SENATOR MCCLELLAN: The patent section of the Bar Association of St. Louis, at its meeting held February 25, 1964, adopted the enclosed resolution which opposes many provisions of H.R. 8190, the Patent Office fee bill.

Appended to our resolution is a statement summarizing reasons for it. At the close of the statement is an abstract demonstrating the inordinately high fees

which would in fact be imposed in prosecuting an average patent application; these charges would greatly exceed the intended goals of the sponsors of the fee bill. As demonstrated in this abstract, the fees for an average patent application would be increased fourfold up to the date of grant of the patent. By reason of the maintenance charges, the fees would be increased ninefold up to the end of the 17-year term.

Administrative costs and legal uncertainties would likewise be multiplied.

We shall appreciate the consideration afforded to these views.

Yours very respectfully,

JEROME A. GROSS, *Chairman.*

RESOLUTION OF THE PATENT SECTION OF THE BAR ASSOCIATION OF ST. LOUIS

Be it resolved, That the Patent Section of the Bar Association of St. Louis, after due consideration of the contents of the Willis Patent Office fee bill, H.R. 8190, is opposed to those provisions of said fee bill which—

(*a*) Establish a system of charging fees for maintaining a patent in force after its issue;

(*b*) Require the payment of a fee for the examination of claims filed during the course of prosecution of a patent application, i.e., after filing of the application and before the application is passed to issue;

(*c*) Require the payment of any charge for printing of drawings, specification or claims of a patent; and

(*d*) Provide an increase in patent or trademark recording fees.

Be it further resolved, That the Patent Section of the Bar Association of St. Louis is in general agreement—

1. That the basic fees upon filing of a patent application and issue of a patent thereon, both utility and design, might be increased to no more than the applicable schedule set out in Patent Office fee bill H.R. 8190, paragraphs 1, 2, 3, and 4 of subsection (a) of section 41, title 35 United States Code, but that the additional fees set out therein are objectionable

2. That the fee schedule applicable to trademark matters is acceptable except in respect of recording fees;

3. That if maintenance fees are to be established, such fees should be a definite amount, payable at a definite time, and without provision for deferment, to the end that whether or not a patent is in force can be determined positively, and that no new complication in patent litigation be introduced; and

4. That a fee of $10 for each claim in independent form in excess of 10 and that a fee or not more than $2 for each claim in any form in excess of 20 may be required upon filing of a patent application and again upon issue of a patent thereon.

The foregoing resolutions were adopted on February 25, 1964, by a vote of the members of the Patent Section of the Bar Association of St. Louis.

STATEMENT ON FEBRUARY 25, 1964, RESOLUTION OF THE ST. LOUIS PATENT SECTION OF THE ST. LOUIS BAR ASSOCIATION WITH RESPECT TO H.R. 8190

DISCUSSION OF PART I OF THE RESOLUTION

Part I, section (a) opposes the establishment of a system of charging fees for maintaining a patent in force after its issue. (This relates to sec. 6 of H.R. 8190; sec. 155, title 35, United States Code—Maintenance Fees.)

Our basic reason for opposing a system of charging fees for maintaining a patent in force after it has issued is that this is a tax that discourages the filing of applications for a patent and the ultimate disclosure of inventions through the grant of a patent. Further, by discouraging the patenting of inventions it also discourages the making of inventions which lead to patents.

Another reason for being opposed to maintenance fees is that it places an unfair tax on successful patents. Inventions which are patented and successfully commercialized yield revenue to the Government through income taxes—in many cases at the rate of 52 percent of the income. To place a further fee or tax on successful patents would be discriminatory and an undue burden on inventions which are already, through income taxes, contributing to governmental revenue and to our economy in general.

By requiring the payment of maintenance fees or taxes in order to keep issued patents in force, a new system will be set up which in effect requires the suc-

cessful patented inventions to subsidize those which are not successful or even never mature into patents. It can't be denied that many applications are filed on inventions which do not turn out to be novel, yet the Patent Office frequently spends as much time in handling these applications as it does in handling applications which issue as successful patents. Admittedly the filing fee alone (at present rates) does not pay the full cost of the Patent Office work on patent applications; therefore the maintenance fee system requires the owners of successful patented inventions to pay all or part of the excess of Patent Office costs over filing fee revenues for handling patent applications on inventions which are not patentable or if patented turn out to be unsuccessful.

Part I, section (b) opposes the payment of a fee for the examination of claims filed during the course of prosecution of a patent application, i.e., after filing of the application and before the application is passed to issue. (Relates to sec. 1 of H.R. 8190; sec. 41, subsec. (a), items 1 and 4, title 35, United States Code).

This section of the resolution relates to that portion of H.R. 8190 which would require an additional fee depending upon the types of claims presented, i.e., independent versus dependent claims, during prosecution of a patent application. This appears to be an unnecessary change in the law. It would not affect a significant number of applications nor bring in a significant amount of revenue to the Patent Office, and it could well be that the bookkeeping costs in the Patent Office alone would offset any increase of revenue, to say nothing of the bookkeeping burden placed on the applicants.

Part I, section (c) opposes the payment of any charge for printing of drawings, specification or claims of a patent. (Relates to sec. 1 of H.R. 8190; sec. 41, subsec. (a), item 2 of title 35, United States Code.)

One purpose in the grant and publication of a patent is to enlarge the store of public knowledge. H.R. 8190 permits the Commissioner of Patents to vary the amount of the issue fee depending upon the number of pages in the patent and the number of sheets of drawings. The effect of such an approach would be to discourage the enlargement of the store of public knowledge. Applicants would be inclined to keep their disclosure at a minimum in order to keep issue fees as low as possible.

Part I, section (d) opposes the increase in patent and trademark recording fees. (Relates to sec. 1 of H.R. 8190; subsec. (a) of sec. 41, item 10 of title 35, United States Code.)

At the present time the recording fee for assignments of patents is $3 for the first item and 50 cents for each additional item. Proposed is an increase to $20 per item which appears to be entirely unjustified on the basis of recording costs. No objection is raised to whatever increase may be required to cover the actual expense of recording which is understood to be well under $10.

Trademark recording fees are set forth in section 3 of H.R. 8190; section 31 of the act approved July 5, 1946 (United States Code, title 15, sec. 1113). This portion of the bill is also opposed on similar grounds.

The patent section of the St. Louis Bar Association by approving part I, sections (a) through (d) of its resolution feels that the matters opposed should not be included in any new Patent Office fee bill. The patent section does feel that certain fees might be increased and that certain other safeguards should be considered in the event the views of the section on clauses (a) and (b) of the resolution do not prevail.

DISCUSSION OF PART II OF THE RESOLUTION

Part II, section 1, agrees that the basic fees upon filing of a patent application and issue of a patent thereon, both utility and design, might be increased to no more than the applicable schedule set out in section 1 of Patent Office fee bill H.R. 8190; paragraphs 1, 2, 3, and 4 of subsection (a) of section 41, title 35, United States Code, but that the additional fees set out therein are objectionable.

This section approves the raising of basic fees as set forth in items 1, 2, 3, and 4 of subsection (a) of section 41; section 1 of H.R. 8190. These basic fees are the filing fee of $50 in section 1, the issue fee of $75 in section 2, the fees in section 3, and the filing fee of $50 in section 4.

No objection was raised to the proposed fees in items 5, 6, 7, 8, and 9 of subsection (a) of section 41, United States Code.

Part II, section 2, agrees that the fee schedule applicable to trademark matters is acceptable except in respect of recording fees.

The fee schedules applicable to trademark matters, namely that set forth in section 3 of H.R. 8190, are approved by the section except for the recording fee (previously commented on under pt. I, sec. (d) of the resolution).

Part II, section 3, agrees that if maintenance fees are to be established, such fees should be a definite amount, payable at a definite time, and without provision for deferment, to the end that whether or not a patent is in force can be determined positively, and that no new complication in patent litigation be introduced.

In the event the views of the St. Louis patent section with regard to the proposed tax on patents referred to as a maintenance fee do not prevail, the section feels that at least the fees should be a definite amount and payable at a definite time without provision for deferment. Section 6 of H.R. 8190 (35 U.S.C. 155, maintenance fees) provides in paragraph (f) that as long as ownership of a patent remains in the inventor he shall have certain rights of deferment with respect to paying the maintenance fees.

This favorable treatment given the original inventor-owner of a patent is opposed because it would leave uncertain the validity of the patent which could not be determined without knowing whether the "total benefit" (by which is presumably meant total earnings) from operations under the patent would or would not exceed the required maintenance fee. Thus a reliable decision could not be made as to possible infringement of such a patent by one who might wish to engage in commercial operations in the field of the patent in question.

Part II, section 4, agrees that a fee of $10 for each claim in independent form in excess of 10 and that a fee of not more than $2 for each claim in any form in excess of 20 may be required upon filing of a patent application and again upon issue of a patent thereon.

Section (c) of the resolution opposed the requirement for payment of an extra fee for the examination of claims newly filed during the course of prosecution of a patent application on the basis that bookkeeping costs would outweigh increased revenue from this source.

Section 4 of the resolution approves a fee of $10 for each claim in independent form in excess of 10 and a fee of not more than $2 in any form in excess of 20 may be required upon the filing of the patent application and again upon the issuance of a patent. Thus in effect the section disapproves the provisions of items 1 and 4 of subsection (a) of section 41, title 35, United States Code, H.R. 8190, which require a $10 payment for each independent claim in excess of 1 on filing and $2 for each claim regardless of form in excess of 10. The effect would be to unduly warp the scope and nature of patent claims for economic reasons. Reasonable latitude should be permitted in the difficult task of properly defining an invention.

ABSTRACT OF STATEMENT ON FEBRUARY 25, 1964, RESOLUTION OF THE ST. LOUIS PATENT SECTION OF THE ST. LOUIS BAR ASSOCIATION WITH RESPECT TO H.R. 8190

H.R. 8190 is disapproved on the basic grounds that this provides a radical increase in Patent Office fees working to the detriment of the public and lessening incentive to inventions and disclosure to the public by a patent grant. A typical patent of four pages, two sheets of drawings, and eight independent claims with assignment would, under H.R. 8190, incur a fourfold increase over present fees in that a cost of $259 in fees would be entailed as compared to the present fees of $63. If this typical patent is maintained throughout the 17 years of grant, the total fees would then aggregate a ninefold increase over the present fees in that a total cost (including maintenance fees of $300) would aggregate $559 compared to the present fees of $63. Our section does not object to moderate increase in filing and issue fees but does object to limitation of independent claims and objects to proposed charges of printing the specification and drawings and the imposition of maintenance fees, which are indefinite and an imposition and further objects to exhorbitant assignment recording fee.

ROCKWELL & DELIO,
New Haven, Conn., March 19, 1964.

Re S. 2547 and H.R. 8190.

Hon. JOHN L. MCCLELLAN,
Senate Office Building,
Washington, D.C.

SIR: With reference to my letter to you dated March 18, 1964, same subject, it is requested that my letter be entered into and made part of the printed record of the hearings on S. 2547 and H.R. 8190.

Respectfully,

JAMES K. SILBERMAN.

ROCKWELL & DELIO,
New Haven, Conn., March 18, 1964.

Re S. 2547 and H.R. 8190.

Hon. JOHN L. MCCLELLAN,
Senate Office Building,
Washington, D.C.

SIR: As an attorney specializing in patent and trademark law, I have been closely following the proceedings in Congress relative to the proposed revision of Patent Office fees. I have carefully studied the debate in the House prior to passage of H.R. 8190 and have also read the hearings before your subcommittee on S. 2225. Additionally, I am familiar with the bill filed by Senator Dodd, S. 2547. It appears to me that there are several points which have not been covered in prior debate and which should be brought to your attention prior to the final deliberations of your subcommittee.

As to maintenance fees, heavy emphasis by the proponents of maintenance fees has been placed on the fact that the "little guy" or so-called "attic inventor" will not be burdened by the maintenance fees because he will be permitted to defer both the first and second maintenance fees if the benefits received under the patent do not equal the amount of the fees. It is my opinion that these provisions for deferment are worthless because the law, as stated in H.R. 8190, will require a verified showing by the inventor. This means that formal papers making a factual showing will be required, thereby requiring the services of a patent attorney to gather the necessary information and prepare the papers. I cannot see how an attorney could charge an inventor less than $50 for preparation of these legal documents, and thus deferment will become economically impracticable. As you can see, the inventor will be better advised to pay the maintenance fee than to request deferment. Thus, all the arguments advanced that the individual inventor is relieved of the burden of maintenance fees by the deferment provisions, demonstrate a lack of understanding of the effect of the maintenance fees and the deferment provisions.

All discussions which I have read relative to the filing fee provisions of H.R. 8190 both by Members of Congress and by the press positively state that the filing fee is to be raised from $30 to $50. On its face, this seems reasonable but, unfortunately, it is not true. In hearings before your subcommittee on S. 2225 the Patent Office submitted tabular data indicating that the average number of independent claims in a patent is 4.38 and the total number of claims is 6.73 (hearings on S. 2225, September 4, 1962, p. 90, table 11). One year later the Patent Office has released figures indicating that the average patent contains 12 claims with 3 independent claims. Obviously the Patent Office is juggling its figures for its own benefit since the number of claims in a patent could not possibly have changed so radically. Based upon my experience, the average number of claims in a patent, as filed, is at least 12 with at least 5 of the claims being in independent form. As a matter of fact, the number of independent claims is probably much higher. In any event, based upon these Patent Office figures, the filing fee, calculated in accordance with H.R. 8190, will be $50 plus $40 for the independent claims plus $4 for the claims in excess of 10. Thus, the average filing fee will be $94, not $50 as stated by the proponents of the bill. The increase in filing fees is thus in excess of 300 percent.

The proponents of H.R. 8190 also argue that the maintenance fee is not a tax, but a deferment of the fees. They state that, if maintenance fees are

stricken from the bill, then the filing fees will have to be raised by an additional $300. This, of course, presumes that Congress would be willing to go along with a filing fee of $394. It also belies the facts because the number of patents granted is substantially less than the number of applications filed. Assuming, as they do, that so much "deadwood" would be cleaned out of the Patent Office files, it is likely that the number of patents on which maintenance fees are paid will be less than 50 percent of the number of applications filed as the number of patents issued is less than 63 percent of the number of applications filed. Therefore, much lower fees will raise the same revenue as the burdensome and confusing maintenance fees. Furthermore, many legislators have argued that cancellation of "deadwood" by the nonpayment of maintenance fees will ease the job of the Patent Office because they will no longer have to consider these expired or lapsed patents when examining new applications. Nothing could be further from the truth. The examination conducted in the Patent Office has absolutely nothing to do with whether a patent is in force or expired. The Patent Office seeks to determine whether the inventor in a new application is the first and original inventor of the subject matter which he is seeking to patent. To do this, the patent examiners search for patents, technical articles, catalogs, etc., which may have been published anywhere in the world to determine whether or not another person previously made the invention under consideration. Whether or not an unexpired U.S. patent exists on the invention is of no concern of the Patent Office for the Patent Office never makes a determination of whether or not the invention disclosed in the application under consideration would infringe an unexpired patent issued to another.

The final matter which I do not believe has been previously considered is the matter of the issuance fee and the matter of its payment under H.R. 8190. The bill provides an issuance fee of $75 plus $10 for each page of specification as printed and $2 for each sheet of drawing. The law states that the notice of allowance of the application shall specify a sum constituting the issue fee or a portion thereof which shall be paid within a specified time. Once this fee is timely paid, the patent will issue. Any fee remaining to be paid, as determined after the patent has issued, must then be paid within an additional period or the patent will lapse. This last provision is especially obnoxious to me since, when patents issue and are published in the Gazette, no interested party will have any way of knowing whether or not the additional fee has been or will be paid until the additional time period has elapsed. This provision can have no other effect than additional work for all parties concerned. I cannot conceive that the Patent Office is not able to predict in advance from the number of legal-size, typewritten pages of specification, the number of printed pages that will be required. If the final fee formula of H.R. 8190 is to be maintained, it would be a simple matter for the entire amount of the final fee to be specified in the notice of allowance and the patent should not issue until the entire fee has been paid.

I am definitely in favor of an increase in Patent Office fees and revenue from fees in the area of $22 million is deemed appropriate. In view of the considerable number of objections which I have found to H.R. 8190 and which have been conveyed to me by my clients who mainly consist of individual inventors and very small, family-owned corporations, I have carefully studied alternate bill S. 2547. This bill appears to raise revenue within the desired figure and is believed to eliminate most if not all of the objectionable features of H.R. 8190. Thus, I strongly urge you to give due consideration to the provisions of S. 2547 during your committee deliberations.

Respectfully,

JAMES K. SILBERMAN.

STATEMENT OF PAUL C. STARK, VICE PRESIDENT, STARK BROS. NURSERIES & ORCHARDS CO., LOUISIANA, MO., REGARDING PATENT LEGISLATION—HOUSE BILL 8190

My company and others connected with agriculture and horticulture are greatly interested in improvements in varieties of fruits and other plants that will help farmers, orchardists, homeowners, etc., to meet increased costs of production, lower profit margins, and other problems connected with the plants we grow and the crops our customers produce on them.

The plant patent legislation passed by Congress in 1930 has been of great service to agriculture, to the general public and to those who produce the plants and

the crops raised from them. It is helping agriculture to keep pace with the great scientific advances in industrial methods and products by improvements of varieties of plants that produce heavier and better crops of superior products.

This was, I believe, the intent of Congress when this legislation was passed. We feel that agricultural interests have taken advantage of this opportunity and have responded to the valuable encouragement resulting from this legislation.

I wish to point out that agriculture as a whole is handicapped by the variations and extremes of weather and other conditions that often tend to reduce or destroy these plants and their crops. Agriculture does "not have a roof over its head" as compared to manufacturing industry that is under cover, free from weather hazards. This same handicap faces the small producer or the homeowner who must combat the extremes of weather. Furthermore the producers and users of plants are as a whole made up of small business concerns who have faced many increased problems in their effort to exist and succeed in making a fair profit.

Our concern in this matter is that this important service which is now "helping agriculture to help itself" will be weakened. The maintenance section of H.R. 8190 will tend to discourage those in agriculture who are working so faithfully to give agriculture and homeowners better "tools" in the shape of greatly improved plant varieties.

The small business concern, which includes a large percentage of agriculture, is not financially situated to stand large added burdens and we believe the extra costs of the maintenance fees proposed in this bill will in many cases result in less time, effort and money being invested by agriculture in plant breeding and improvement. This will be unfortunate, especially at this time when plant breeding should be expanded on a broader scale. Adequate food in time of peace or war is essential to the Nation and plant breeding can do much to assure this condition in our national situation.

For the above and similar reasons we urge that the maintenance fees section of this bill be eliminated. If this is impossible, we urge a radical cut in the amount of the maintenance fees of H.R. 8190.

STATEMENT IN OPPOSITION TO PATENT OFFICE FEE BILL (H.R. 8190)
BY MIKE TECTON, OKLAHOMA CITY, OKLA.

To the Senate Subcommittee on Patents, Trademarks, and Copyrights of the Committee on the Judiciary of the U.S. Senate:

As an inventor working alone, endeavoring to file in the U.S. Patent Office over 100 new practical inventions a year, I wish to present my views to the Senate committee as to how the fee raises will affect me personally, and other individual inventors, and America's technological development.

The Constitution allows patents thus establishing for the inventor and artist legal rights to their productions beyond their common law rights thus fixing the scope and limits to their property. Without patents (which defines the limits of the invention), inventors have almost no protection when submitting inventions to corporations and individuals. Most corporations will not even look at inventions without it having first been patented.

If laws are passed requiring higher patent submission and issue fees, and if we add maintenance fees to the inventor's financial burden, America will close a little smaller the invention pipeline that feeds creative ideas to American industry, thus reducing greatly America's technological and sociological well-being.

The raising of patent filing and issue fees, and the establishing of patent maintenance fees, will have this effect upon America's inventors and industry:

(1) On a national basis, it will reduce the submission of inventions for patenting by inventors having low income from at least 20 to 90 percent of their inventions, and in some cases, 100 percent of their inventions.

(2) It will discourage medium sized corporations from submitting approximately 10 percent to 30 percent of their inventions for patenting, thus keeping secret their inventive know-how that in most cases will be lost forever.

(3) It will hinder at least 2 percent to 10 percent of the large corporations from submitting inventions for patenting, thus keeping valuable data from the American technological stockpile.

(4) As far as myself, as a lone self-supporting inventor who has not made 1 dime off of a patent, it will reduce my future patent applications from a planned

100 patent submissions a year to approximately 25 invention submissions a year, a decrease of 75 percent.

This overall reduction of submitted inventions will be compounded over the entire research and development fields, the loss to America of new industrial products, loss in taxable resources and loss to the wage earners will be in the billions of dollars.

If the Senate committee really wanted to stimulate trade, increase employment, they should dispense with all patent fees. If patent filing and issue fees were dispensed with, America would experience the greatest surge of inventive genius since the days of Thomas Edison and Alexander Bell. There would be several thousand more inventions submitted annually. I, personally, would submit at least 40 more inventions a year for patenting.

It would take only a single invention, such as another "crazy toy," as the telephone was first called when invented, or a "totally useless device," like the electron tube was first called, to enhance a millionfold our social well-being—and a single invention could pay through added taxable income from wage earners and industry, enough revenue to pay for all the patent fees.

It should be quite obvious to those concerned as a result of increased and additional patent fees, there would be a tremendous withdrawing or burying of creative information, ideas, and concepts.

The withdrawing of creative thought from the American scene would be a national and historic tragedy as great as Rome's burning of the Library of Alexandria in the time of Ptolemy.

To encourage and protect creative thought, ideas, and inventions should be the sole purpose of the Patent Office. And to tax inventions through taxing the inventor before he has received any protection, and before the invention has earned money, is the greatest comic fallacy to the present system. Who in the hell has the audacity to request from a poor inventor a $60 patent tax fee before his invention has earned a penny, when statistics show that an inventor has a 100-to-1 chance of gaining back his capital on his development cost, not to mention his loss of time.

For the patent fee to be fair, it should be ruled: "That if a patent does not earn money, the patent should not be taxed." Patents earning money should pay their own individual way. By raising patent fees and by establishing maintenance fees we cannot but help to suppress and hinder our country's national productivity and strength in both peace and war.

Speaking as "an inventor," I personally know that this bill will reduce my patent applications by 75 percent. My inventions are in the field of high-speed aircraft, air rescue, consumer goods, automotive, toys and games, etc., as well as in the industrial, electrical, and mechanical fields.

Because higher fees will reduce the amount of issued patents by reducing the amount of submitted patents, this reduction cannot but help to facilitate America's unemployment problems. Every successful invention produces thousands and even millions of jobs, strengthening our economy and our industrial capabilities.

Since higher fees beyond a doubt will reduce the submission of inventions, what inventions will not be submitted? What inventions will be kept away from the public because of lack of capital? That is the question. Will it be an invention like the telephone, laser light, a Salk vaccine, an automobile that floats on air, or will it be an invention that reads a book out loud to a person, a chemical composition that will adjust eyesight without the aid of glasses? What human creative thought will be suppressed by the raising of the fees?

By the raising of the fees, it is said that this will reduce the amount of deadwood inventions. Yes, we all agree on this point. But yesterday's deadwood springs to new life given a new time, new materials and new production techniques and new markets and a new inventor. Who is god amongst us to say that one inventional thought is deadwood? What gods live on earth today that can make this decision? There is no such thing as "deadwood" inventions, and to discourage inventions is a catastrophe.

Each invention representing creative thought when viewed with an imaginative eye can be transformed into tomorrow's miracles. Edison invented the electronic tube; it was deadwood in his time.

To raise patent fees and to add maintenance fees will hinder the creation of invention from the standpoint of—

(*a*) It will hinder poor inventors from submitting inventions.

(*b*) It will prevent halfhearted people from submitting inventions.

(c) It will keep germs of inventions, half inventions or half-practical inventions from ever being recorded for future reference and filing in the Patent Office. Inventions are recorded thoughts, and they build from other inventions. Inventions that are patented are recorded knowledge given legal protection to its discoverer and developer for only 17 years. The inventor may never earn a dime off of his invention, yet he is asked to be taxed when he files it for patenting. He then is taxed further if a patent is issued, and he is now being requested to carry a tax to maintain his own property that was nonexistent before he created it. Should the Government tax one's creative thought or the earnings from an inventor's creative thought?

To further tax an inventor would discourage inventions being considered for patenting and would reduce our patent library of human thought know-how from being recorded and consequently improved upon.

It is extremely important to keep (through patent submissions) this recorded knowledge flowing into our Nation's patent library at full throttle, and it will more than pay, fivefold, in taxable income, earnings and community enjoyment.

Now America is engaged in an international struggle to survive communistic aggression at home, in Europe, Asia, and Africa. Communist systems lack industrial know-how. Their system restricts the individual's initiative, our system's greatest capital asset. By having higher fees on submission, there will be a further restriction on the individual initiative.

To erect higher stumbling blocks, through higher fees, and to place on the shoulders of the patent and its inventor a maintenance fee load will suppress and discourage the submission and recording of creative technical knowledge, discoveries and thought. This destruction and discouragement will be as great a historic national tragedy as Hitler's destruction and burning of books and Hitler's discouragement and suppression of creative thought.

I am currently engaged in inventing and developing and patenting new products in the fields of: consumer appliances, automotive, electronic, electrical lighting, electrical distribution, communication, data processing, business machine, audiovisual, advertising, transportation, material handling, construction equipment, building material, home furnishing, recreation, game, toy, cosmetic, soft goods, aircraft, aerospace, defense, and others.

TEXAS MANUFACTURERS ASSOCIATION,
Houston, Tex., February 18, 1964.

Hon. JOHN L. MCCLELLAN,
Chairman, Subcommittee on Patents, Trademarks and Copyrights, U.S. Senate, Washington, D.C.

DEAR SENATOR MCCLELLAN: Attached hereto is a resolution adopted by the board of directors of the Texas Manufacturers Association. The resolution urges a public hearing on H.R. 8190, a bill now pending before the Subcommittee on Patents, Trademarks, and Copyrights of the Judiciary Committee of the Senate for the purpose of exploring in detail the possible effect and impact of this bill on the free enterprise system.

The board of directors requested that a copy of the resolution be mailed to you for your information.

Yours very truly,

L. W. GRAY, *Legal Counsel.*

RESOLUTION BY TEXAS MANUFACTURERS ASSOCIATION ON H.R. 8190

The board of directors of the Texas Manufacturers Association at its quarterly meeting in Corpus Christi, Tex., on January 31, 1964, discussed the subject matter of H.R. 8190, a bill increasing the amount and types of fees for patents, and of its possible impact on the American free enterprise system and upon the rights of individuals to develop patents.

H.R. 8190 as passed by the House of Representatives and as now pending before the Subcommittee on Patents, Trademarks, and Copyrights of the Senate Judiciary Committee, increases by a minimum of three times the conventional fees payable to the Patent Office for securing a patent and also adds new maintenance taxes which are applicable after issuance, which alone amounts to five times all the fees heretofore payable and provides for voidance of the patent for nonpayment.

It was the opinion of the board of directors of the Texas Manufacturers Association that Congress should pass no law which would discourage inventions by those individuals possessing such talent or which would adversely affect the American free enterprise system.

Therefore, be it resolved, That the board of directors of the Texas Manufacturers Association go on record as urging that public hearings be held on H.R. 8190 before the Subcommittee on Patents, Trademarks, and Copyrights of the Judiciary Committee of the Senate before which the bill is pending for the purpose of exploring in detail the possible effect and impact of H.R. 8190 upon—

(1) The development of new products in the United States.

(2) The right of the individual to be properly awarded for utilizing his genius to develop new products and processes through inventions.

(3) The possibility of penalizing individuals who have the necessary genius and talent to invent but lack the funds to secure patents.

Be it further resolved, That copies of this resolution be mailed to the Honorable Senators Ralph Yarborough and John Tower from Texas and to the Honorable Senator John L. McClellan, chairman of the Subcommittee on Patents, Trademarks, and Copyrights of the Judiciary Committee and all members of the subcommittee.

Witness our hands this the 17th day of February 1964.

Attest:

A. R. WATSON, *President.*
ED C. BURRIS, *Secretary.*

DETROIT, MICH., *March 11, 1964.*

Senator JOHN L. MCCLELLAN,
Chairman, Subcommittee on Patents,
Senate Office Building, Washington, D.C.

DEAR SENATOR MCCLELLAN: I am a professional engineer and inventor, self-employed for the past 16 years to develop and license a number of my patented inventions. Several of my products are now licensed and are on the market or under development for final marketing, and I also am forming a business to market other of my products.

Recently I was disappointed to learn that the hearings on the bill, H.R. 8190 have been completed by the Senate Subcommittee on Patents.

I am extremely disturbed by the entire content of this bill as I firmly believe it will act entirely to the detriment of the public interest. I have risked my time and funds all these years solely based on the protection offered by the patent system. I have created products that will add to our wealth, but more important creates useful new jobs and payrolls, as well as taxes to the Federal Government. If I had to face the requirements of H.R. 8190, I could not have handled my program and would not have gambled on these products, which then would not be available to create new jobs, payrolls, and taxes.

I have many other products which I hope to develop in future years. I will not pursue these new projects if this bill is passed into law. The risk would then outweigh the advantages because my position would be too unfavorable in relation to large established firms. The best feature of patents is to enable a small- or medium-sized business to market a new product successfully over an established or large firm having their research and tooling costs already amortized.

Today, Congressmen are properly concerned with poverty and creating new and useful jobs for people unemployed by automation and for the Negro. If we allow the Government to "create" these jobs, we have socialism. Another alternative is relief. But the best and healthiest solution is to encourage men who are able and willing to create and market new products, thereby creating new and useful jobs (not useless jobs). The only men who can do this are (1) businessmen with capital who are willing to finance; (2) creative technical men like me, as has been done with my products.

I was informed that the testimony at the hearings on H.R. 8190 was offered mostly by patent attorneys and patent office officials. With all due respect to these people, I do not believe that they represent the intent and purpose of the patent system. They are only agents, respectively, for the two parties to the unwritten "contract" represented by the patent system. These parties are only (1) the public and (2) any of its citizens who choose to be inventors. The interests of the public and inventors represent the true intent and purpose of the patent system; and their interests are quite different from the motives of patent attorneys

and patent office officials whose remuneration is not based on incentive versus a degree of risk as with inventors.

I am extremely concerned about the harmful effect of this bill which I believe will act as a real deterrent to the creation of new and useful jobs that will be needed in future years. In order to create new and useful jobs, it would appear to the public interest to encourage inventors and their backers rather than to discourage them, which is the effect of H.R. 8190.

I am so disturbed, that I would be pleased to travel to Washington at my own time and expense and at your convenience to discuss my views with you and any other member of the committee if you are interested. I expect to be in Washington about April 15, but will make a special trip if you will see me, as it might be too late in April.

I would appreciate having this letter made a part of the record of the hearings.

Very respectfully yours,

ROBERT THORNER.

UNITED INVENTORS & SCIENTISTS OF AMERICA.

Hon. JOHN L. MCCLELLAN,
Chairman of the Senate Subcommittee on Patents, Trademarks, and Copyrights, Senate Office Building, Washington, D.C.

DEAR MR. SENATOR: After a careful study of bill, H.R. 8190, to fix fees payable to the Patent Office, we feel this bill should be immediately withdrawn and replaced by a more decent, just, and equitable one; one that will not be so extremely detrimental to the inventor and other applicants. Such a bill represents a straitjacket to inventors and treason against the spirit of progress. The additional fees required from the inventor guarantee no protection against infringement, are not justified, and represent a disgraceful imposition.

The bulletin of the National Inventors Council stresses the great need of inventions in the defense of our country, and also points up the fact that when inventors, in good faith, respond to an appeal from our Government for such inventions, the result is theft of their inventions, which our Government hands over to magnates who reap millions in profits, while the inventor receives not 1 penny of remuneration—not even any portion of the $1,000 or more cash that he has paid for his patent. The time, energy, ingenuity, costs, etc., that he has put into the perfecting of his invention also become a total loss to him. Such criminal practices on the part of our Government should be terminated at once—and for all time.

If our Government had a department of search for patents, at a fee at $25 each, a revenue of $7,500,000 would result. Our Government could only gain by this, as inventors would be encouraged to forward ideas and offer inventions. Instead, exorbitant fees stifle incentive to follow up creative ideas and produce inventions for the benefit of our country and the world. Such a department would also protect the inventor from the scourge of the tens of thousands of so-called invention promoters, and agents, who now operate without need of a license. In addition to exorbitant fees, they require percentages and royalties from the inventor. Such agencies should definitely be required to have a license, instead of having every Tom, Dick and Harry free to fleece the inventors without fear of retribution of any kind . The inventor has to have a patent and pay a fee to obtain it, even though the Government guarantees no protection after patent has been granted.

Each year in the United States, more than 50,000 patents are issued. Yet there are more than 300,000 applications laying around in the Patent Office, waiting to be examined. This—in the richest, and supposedly the most progressive, country in the world. Why? Such conditions should be remedied at once, and we demand that steps be taken in that direction. As a first step—withdraw bill, H.R. 8190, and replace it with one in keeping with the ideals of our country, common decency, and commonsense. Do not force our inventors to go to foreign countries in order to obtain patents that will guarantee protection against infringement on their patent rights.

When representatives introducing vicious and criminally harmful bills in the past were questioned they replied that the bill had not originated with them but was handed to them intact by the Department of Commerce. What sort of representation is this? The Patent Office should be a separate and distinct department, not part of the Commerce Department. We trust such separation will be accomplished in the near future.

That the inventor makes a vast contribution to the world in general is beyond all quetion. Therefore, he should be accorded, at least, honest treatment by his own Government, not be afraid to offer his invention for the use of his country only to see it turned over to some magnate to reap millions in profit, while he, inventor, suffers complete loss of time, energy, ingenuity, effort, and actual cash, he has expended to bring it to completion.

We demand a more just and equitable bill in place of H.R. 8190 and look forward to steps in that direction.

Respectfully submitted.

DAVID RESNICK, *President.*

UNITED INVENTORS & SCIENTISTS OF AMERICA.

Hon. JOHN L. MCCLELLAN,
Chairman, Committee on the Judiciary,
Subcommittee on Patents, Trademarks, and Copyrights,
Washington, D.C.

DEAR MR. CHAIRMAN: Senate bill 2547, introduced by Senator Dodd, February 10, 1964, is in our opinion a most perfect example of an effort to utterly discourage inventors and inventions in the United States. How many inventors—even those with ample funds to meet such exorbitant costs and outrageous fees and other outlays of moneys in order to receive a patent—would consider acquiescing to such robbery? And, since the bulk of inventors in the United States are not in the higher income bracket, the demands made in this bill for money outlays, make it impossible for them to even consider offering their inventions for patenting.

Is it the intention of Senator Dodd and others listed as having read this bill twice, to actually try to prevent inventions from being offered for patent in this country? A sane perusal of the bill and its demands could result in no other conclusion.

Inventions are a vital part of living today. Our country and the world are in need of good inventions more than at any other time in history. But there will be a dearth of inventions here if bills such as this become enacted into law. We must have bills introduced to offset such vicious and harmful instruments as S. 2547.

H.R. 7731 was defeated, and rightly so, as it would have imposed an additional licensing fee of $900 to the cost of the patent. This was outrageous and its defeat was most gratifying. However, if S. 2547 is permitted to get through, the imposition on the inventor will amount to even more than the $900 licensing fee. Each paragraph sets forth amounts which the inventor would be forced to pay; i.e., $50, $70, $25, etc., all of which would add up to a disgraceful imposition on the inventor.

At the public library I found patent books explaining the patent system in the U.S.S.R. The picture was just the opposite of the policies in our own Patent Office. The U.S.S.R. actually pays the inventor for the presentation of his idea or inventions for patenting. Hence, inventors there are not afraid to offer their inventions for patent, as in addition to the payment they are assured of full protection from infringement and other hazards. In this country there is no protection against infringement from our Patent Office or from any other of our Government departments. All this will tend to force our inventors to go to foreign patent departments in order to secure said protection. We believe this merits intense consideration and action. We also consider it imperative that the Patent Office be made a separate and distinct department, and not remain a part of the Department of Commerce. This move is essential in order to protect inventors, expedite the granting of patents, and in every way benefit the inventor and the people at large.

Respectfully submitted.

DAVID RESNICK, *President.*

THE UNITED STATES TRADEMARK ASSOCIATION,
New York, N.Y., March 19, 1964.

Hon. JAMES O. EASTLAND,
Judiciary Committee,
U.S. Senate, Washington, D.C.

MY DEAR SENATOR EASTLAND: The enclosed letter has been filed with Senator McClellan and deals with the trademark fees proposed in S. 2547 by Senator Dodd.

We send this along to you for your information.

Sincerely yours,

CHARLES P. BAUER, *President.*

THE UNITED STATES TRADEMARK ASSOCIATION,
New York, N.Y., March 19, 1964.

Hon. JOHN L. MCCLELLAN,
Chairman, Subcommittee on Patents, Trademarks, and Copyrights, Judiciary Committee, U.S. Senate, Washington, D.C.

MY DEAR SENATOR MCCLELLAN: This letter is directed specifically to the trademark fees provided for in S. 2547 (Dodd) and H.R. 8190 (Willis).

It is trusted that it will be generally helpful in connection with the trademark fees of any Patent Office fee bill.

The board of directors of the United States Trademark Association has unanimously approved the position and reasons expressed herein.

For background information on the association, we accompany this letter with a fact booklet and a roster of members.

The board of directors is not opposed to reasonable increases in trademark fees (specifically, except for assignment fees, the board approves of the trademark fees of H.R. 8190). The board of directors does not believe that the trademark fees of the Patent Office should substantially support other divisions. To place such a burden on the Trademark Division might seriously jeopardize trademark protection worldwide.

SPECIFIC DISAPPROVALS OF PROVISIONS

Only two increases of trademark fees in S. 2547 are disapproved, and a third calls for special comment. They are—

1. The $85 fee for registering a trademark.
2. The $60 fee for renewing a trademark.
3. For special comment—Assignment fees.

Points 1 and 2

The $85 fee (comprising $60 for filing and $25 for issuance represents an increase of over 200 percent).

The $60 fee for renewal represents an increase of over 100 percent.

Since the Trademark Division is now substantially self-supporting, no increases of such magnitude are warranted.

(Senator Dodd in his comments introducing this bill stated that the trademark filing fee was increased from $25 to $60, but the Senator did not in his remarks call attention to the fact that the bill in addition proposed a further $25 fee if the trademark application was allowed. The real effect is that for the issuance of a trademark registration the Dodd bill increases fees from $25 to $85, an increase of over 200 percent.)

(In addition to opposing the amount of this proposed increase, we also point out that requiring a filing fee and an issue fee increases Patent Office administrative costs in collecting and handling the fees. This splitting of fees into two bites should be avoided.)

Point 3

Assignment fees—special comment. The trademark fee provisions of H.R. 8190 are generally approved except for provisions relative to assignment fees which are especially burdensome. Under H.R. 8190, $20 is charged for recording an assignment for each trademark. Thus, for example, when in a 2-page assignment a company transfers 10 trademark registrations, the cost of recording such transfer would be $200. This is a very practical problem. Transfers such as this occur frequently and the cost of recording would be prohibitive.

The Dodd bill is more realistic with a fee of $20 as the basic recording fee plus $3 for each additional registration included in the one document. In the hypothetical 10-trademark case, this would be $47. We tend to believe that the initial $20 Dodd fee is higher than necessary and suggest that consideration be given to lowering it to $10 (the present fee is $3).

REASONS FOR THESE DISAPPROVALS

(*a*) *It is basically unsound for trademark fees to be income producing beyond the cost of service rendered by Government employees.*—It is apparent from the schedule of fees in S. 2547 that trademark fees are to be increased substantially for the purpose of deriving revenue for the operation of the Patent Office and to offset some of the deficit incurred by the patent side of the Office. This is a wrong principle.

Patents represent a grant of certain exclusive rights by the Government. Trademark registrations represent recognition of existing rights accruing through use—not registration—of the marks. There appears no logical reason why trademark fees should be used to support the patent system.

(*b*) *Foreseeable domestic problems.*—One purpose of the Lanham Act was to place on record in the U.S. Patent Office as many trademarks as possible. To accomplish this, incentives for registration were provided. The proposed drastic raising of fees is contrary to the Lanham Act incentives and may set in motion a reversal of the trend under which (1) small users now register their trademarks, and (2) companies having a large number of trademarks now register all or substantially all of their marks.

By placing on record the trademarks used by small companies as well as large, it has become easier for new users to locate in those records possible conflicting trademarks before they begin use of a new mark. Thus the likelihood of future trademark conflicts has been diminished.

If fees are increased in too high a ratio, it can be assumed that the filing of trademarks in the U.S. Patent Office will in part be discouraged and thus one of the purposes of the Lanham Act will be thwarted.

The burden of an $85 expense may not seem large if it is said quickly. Practically, it is believed, this is a very high filing fee. For some companies just starting in business it is, for example, higher than many filing fees for incorporation.

It is important to remember that many companies, new or old, large or small, have a number of trademarks, not only one. A company has only one corporate name, and it is required to incorporate only once. That same company is likely to have more than one trademark and thus would multiply its $85 filing fee by the number of trademarks it uses. The financial burden in many cases would be quite substantial. Substantial enough, in our opinion, to discourage the filing of applications for all marks used, thus working against the effectiveness of the trademark system as envisioned in the Lanham Act.

(*c*) *Foreseeable problems in foreign commerce.*—Directing attention to foreign applicants who by treaty have reciprocal rights to file in the United States, we believe that the $85 fee will prove tremendously burdensome. In fact, the economic burden might result in a trend toward increasing filing fees in foreign countries and will thus, by extension, prove especially burdensome to U.S. companies.

In many foreign countries the filing of applications and securing of registrations is essential for trademark protection. If, in these instances, fees are raised substantially (for example over 200 percent), the U.S. companies will find that the expenses of securing and maintaining foreign trademark registrations needed for their protection will become excessive. These larger foreign fees multiplied by the large number of foreign countries in which U.S. merchandise is sold will drastically and seriously increase foreign trademark protection expenses.

If foreign countries learn that in the United States trademark fees are for raising money, not to meet expenses of the service rendered, this could result in drastic increases of foreign fees. In our opinion, U.S. companies and commerce have the most to lose by such a trend.

The above matters will be enlarged upon if desired. Further, the association will be glad to have a representative appear before the committee for consultation or questioning.

Your cooperation in reaching sound conclusions is appreciated.

Respectfully submitted.

CHARLES P. BAUER, *President.*

LAW OFFICES, DICK & ZARLEY,
Des Moines, Iowa, February 25, 1964.

Re H.R. 8190.

SENATE JUDICIARY SUBCOMMITTEE ON PATENTS, TRADEMARKS AND COPYRIGHTS,
Senate Office Building, Washington, D.C.

GENTLEMEN: It is requested that this statement be entered for the record at the hearing of the subcommittee to be held Thursday, February 27, at room 349A of the Senate Office Building:

Of all the instruments of Government created by our Founding Fathers, the patent system as it is known in the United States has contributed as much or more than any other to the dynamic growth and prosperity of our Nation. The patent system in this country is the greatest system in the world and has more than accomplished its original objective of bringing into the open for the public welfare the creative genius of our people. This system precipitates thousands of new products and new businesses each year. The millions of dollars that the Government receives each year in revenue from the taxes on royalties and profits from businesses that the patent system has built is incalculable.

Unfortunately, shortsighted elements within our Government have endeavored to equate the administrative costs of the Patent Office with such other instruments of Government as the Post Office Department. When it is observed that the cash revenues paid into the Patent Office and the Post Office Department are substantially less than the operating costs of these respective organizations, the cry is immediately picked up to increase the revenue of the Patent Office along with raising postal rates, etc. The above bill is specifically designed to raise more revenue for the Patent Office by requiring that patentees periodically pay progressively increasing maintenance fees to keep their patents in force. The great truth that the advocates of this bill overlook is that whereas the Patent Office may operate at a deficit, the patent system as a whole operates at a tremendous profit to the Government. The required maintenance fees will discourage the acquisition of patents not only by the individual inventor but by industry as well. This can only serve to greatly damage the patent system and to subdue the development and disclosure of new ideas and inventions. This damaging of the patent system can only result in a decrease in revenue by way of taxes on profits which the patent system yields.

The American Bar Association has come out strongly against this bill and I sincerely encourage you to consider the detrimental effect that the maintenance fees and the excessive final fees contemplated by this bill will have on the American patent system.

Yours very truly,

DONALD H. ZARLEY.

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